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USD 64.08 | EUR 75.68 | GBP 82.58 | JPY 0.59

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19888	41600	**82.82**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18180	38028	**75.71**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	67.56
ZCE Cotton: Yuan/MT (Sept 2017)	15,330
ZCE Cotton: USD Cents/lb	**88.78**
Cotlook A Index – Physical	**77.40**

Cotton & currency guide: Three days ago cotton for December future made a low of 66.64 cents and since then market is rebounding gradually. On Monday the contract ended marginally positive at 67.56 cents. Since the USDA report was released on 10th August the entire loss from 71+ cents to 66.64 has been partly covered while still trading much lower.

We believe the last three days gains have been minimal and mere buying in the contract as the underlying is taking strong support of 66.15 which made a low of somewhere in 15th June 2017. As of now we believe cotton price may remain sideways while 68 and 68.50 would be considered as strong resistance level in the near term.

This morning the same contracts is trading at 67.47 down by 0.13% from the previous close and believe that sideways trend to persist on today’s trading session.

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Post the US market was closed the USDA crop progress planting report was released. The progress report as of 18th August suggests 63% growth vis-à-vis 61% in the previous week. The major decline in the price was basically because the US production was perceived higher at 20.55 million bales. There is definitely a split on ideas of how the big crop will be absorbed as so far cash sales have been good.

More interesting facts had happened at the domestic market on Monday. Prices for better quality 2016-17 crop S-6 were slightly firmer at an average of Rs. 42,950 per candy, ex-gin. The dollar equivalent price was around 85.55 US cents per pound. Prices for Punjab J-34 were also up a little, to Rs. 4,430 per maund (about 84.10 cents per lb). New crop asking rates for Shankar-6, delivered November and December, have been noticeable at around Rs. 38,000 per candy, ex-gin. At the prevailing exchange rate, equivalent value was approximately 75.70 US cents per pound.

However, the future contract for October moved erratic on Monday that it plummeted sharply to make a low of Rs. 18040 and ended the session at Rs. 18180 down by Rs. 80 from the previous close. We saw more selling in the future contract with good trading volume.

Overall the trend remains weak especially for domestic futures contract. We expect on today's trading session the trading range would be Rs. 18K to 18340 per bale. However, it would be essential to watch the movement of spot and the future relation.

Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

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INTERNATIONAL NEWS

Where is global trade heading amid NAFTA renegotiation?

Countries should seriously consider negotiating international agreements to address major concerns such as trade protectionism, and lead the talks even if the United States walks away from them, said experts.

The United States, Canada and Mexico started the first round of the North American Free Trade Agreement (NAFTA) renegotiation on Wednesday in Washington D.C.

U.S. President Donald Trump has previously called NAFTA "the worst trade deal ever signed" in the country and attempted to quit the pact. Although he softened his position later on, Trump still considered the pact, and the idea of free trade and globalization the pact embodies, the job destroyer.

While economists are divided in determining whether the trade pact has been good or bad for American workers, most of them believe free trade has been beneficial to all the participants in it.

NAFTA AS TEMPLATE FOR U.S. TRADE NEGOTIATIONS

Edward Alden, senior fellow at the Council on Foreign Relations, said that NAFTA negotiation will "set the template for what this administration does on trade."

"If it can be concluded successfully, then some of these other negotiations may go forward. But if not the whole U.S. trade agenda will be stalled," said Alden in a recent interview with Xinhua.

Describing the U.S.-South Korean FTA as a "horrible deal," Trump has called for a renegotiation of the five-year-old pact to narrow the trade deficit. In mid July, South Korea accepted a U.S. request to convene a special session of the joint committee on their bilateral agreement.

"I do think the NAFTA renegotiation will set certain limits for a renegotiation with South Korea," said Justin Fendos, professor at Dongseo

University in South Korea and an associate director of the Tan School at Fudan University.

He anticipated that the renegotiation will only bring about "superficial changes to the current terms, something Trump can tote as a victory publicly."

John Manzella, CEO of the World Trade Center Buffalo Niagara, said certain areas of focus under the NAFTA should be improved to make sure the pact stays relevant today.

"Back when it was implemented in 1994, we didn't have the export of services like we have today. E-commerce was in its infancy, while intellectual property was not nearly as important as it is today. These are three areas that can be improved," Manzella said.

He said the three countries only talk about peripheral changes around the edges, instead of changing the agreement on a massive scale.

IMPORTANCE OF RENEGOTIATING WTO

Experts have noted free trade will benefit all in general and it's high time that countries start renegotiate international trade agreements.

"The U.S. manufactures have a tremendous trade deficit with the world, but U.S. manufactures actually have a large surplus with our free trade partners, which means if you eliminate tariffs and non-tariff barriers, the U.S. can compete with anybody," said Manzella, who believed free trade benefits American companies to a great extent.

Alden said it is important for members of the World Trade Organization (WTO) to restart negotiations.

"Unfortunately it's been impossible to negotiate a new agreement in the WTO, so with each passing year, WTO rules become less and less relevant because they haven't been updated and improved," he said.

He said regional negotiations have been the second best option. But the Trump Administration has obviously walked away from the Trans-Pacific Partnership.

"If the Trump administration can't renegotiate NAFTA, there is no prospect for significant further trade negotiations under this administration," said Alden.

The danger of that for other countries is that it increases the temptation for the United States not to abide by WTO rules, according to Alden.

The more those trade negotiations come to be seen as futile, the more likely the United States is to act unilaterally, he said, adding that he thinks other countries will respond in kind and also respond unilaterally, which will be harmful to everyone.

Talking about rising protectionism in the United States and around the world, Alden said the only way to resist protectionism is to have international negotiations that address some of the concerns.

LEADING GLOBAL FREE TRADE EFFORTS

Some experts are optimistic that even without U.S. leadership, free trade is still going to go forward. Alden said that under the current administration, the United States is no longer the champion of free trade.

"Increasingly, the United States is going to be looking more narrowly at its economic self-interest in these negotiations and I think that will make it harder to arrive at deals," he said. He said that without U.S. leadership, it will be difficult to make progress in WTO negotiations.

"But on the other hand, for many years the world has left it to the United States to lead these efforts, and there's no reason it seems to me that other countries can't at least attempt to step into the vacuum that the United States is currently left," said Alden.

He said a lot of the countries will be interested in leading the efforts as many governments in the world are quite strongly committed to freer trade. "It's not impossible to imagine that you could have a coalition of countries that could jump start new negotiations even if the United States were skeptical," he added.

Source: xinhuanet.com - Aug 21, 2017

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National aims to complete TPP 11 by 2020

The National party aims to get the Trans Pacific Partnership 11 agreement over the line by 2020 if it is re-elected to Government.

Prime Minister Bill English said at an announcement in Pukekohe, south Auckland, on Tuesday that the party would deliver "the biggest trade push that New Zealand's ever had".

National plans to form free trade agreements with the European Union, the United Kingdom (post-Brexit), Sri Lanka, Brazil, Argentina, Paraguay and Uruguay.

"We will work to unlock markets with 2.5 billion new consumers for the benefit of large and small exporters and their workers in every region of New Zealand," National trade spokesperson Todd McClay says.

In addition to the TPP 11, National plans to finalise free trade negotiations with Mexico, Chile, Colombia and Peru (The Pacific Alliance) and the Regional Comprehensive Economic Partnership (RCEP) countries.

It would also update free trade agreements with China, Singapore and South East Asia.

The TPP 11 was formed after the US withdrew from the controversial Trans-Pacific Partnership Agreement when President Donald Trump came to power.

Labour has opposed signing TPP 11 in its current form, and New Zealand First has also opposed it. Labour finance spokesperson Grant Robertson said New Zealand should renegotiate a TPP deal that blocks offshore buyers from purchasing existing homes.

Source: newshub.co.nz- Aug 22, 2017

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Pakistan: On aiding value-added textile exports

Even though many of the issues affecting the textile sector affect the entire value chain such as currency devaluation and cost competitiveness, yet some measures are often aimed to benefit only a part of that value chain.

The tussle between the spinning and value added garments sector has been going on for a while now. As this column has commented on before, the textile spinners are in the habit of creating a protectionist environment.

More often than not, APTMA has gotten its demands met due to strong lobbying as many spinning mill owners wield considerable political influence. This has often come at the cost of the value added players who are unable to match the resources employed in lobbying tactics used by the spinner association.

APTMA has been complaining of higher imports of yarn into the country while at the same time pushing for making import of cotton duty free. Recently, it decided to request the Federal Board of Revenue (FBR) to make it compulsory for all consignments of imported yarn from India and China to be subjected to independent inspections at three stages under SRO 322 and SRO 45. Ostensibly, it has termed this necessary to keep in check excessive imports of cotton yarn by mis-declaration and misuse.

But according to players in the value added sector this reason is unjustified. The Pakistan Textile Exporters Association (PTEA) believes that such measures will have a severely negative impact on the entire textile value chain and points out that only 3 percent of total yarn consumption is being imported.

Recall that the government had allowed exporters to import duty free raw material for re-export under SRO 327, 450 and 322 several years ago in order to ensure provision of quality raw material at competitive prices.

Mr. Azizullah, Secretary General of PTEA points out that if this recommendation of APTMA were to be adopted it would bind buyers to procure locally at a higher cost making the value added textile sector lose its cost competitiveness further.

The cost difference between exports of Pakistan compared to India and Bangladesh already stands around 6-8 percent on the higher side due to inconsistent policies and higher energy prices.

He notes that the textile exports of Bangladesh and Vietnam have increased by a wide margin in recent years because of liberal import policies that allow textile manufacturers to import yarn from around the world duty free for re-export.

This column believes a level playing field should be provided to the entire textile sector. In addition, the government should especially encourage policies that have a positive impact on the export oriented value addition sectors further down the value chain.

Source: brecorder.com - Aug 21, 2017

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Dhaka, Delhi to hold trial run soon to launch express courier service

Bangladesh and India will soon hold a dual trial run to introduce express courier service by road to facilitate carrying important documents and product samples of export-oriented industry, officials said.

Presently, these documents and samples are being carried by air. As a result, the businessmen claim they have to pay additional 40-45 per cent as carrying cost which ultimately raises the production cost of goods.

Small and medium enterprises (SMEs) are being affected seriously because of high carrying cost of these important documents, they noted.

Some 2,000 to 2,500 courier consignments are being delivered through Dhaka airport every day, according to officials.

A joint taskforce of the two countries will meet in Kolkata on Tuesday to discuss the ways and remove impediments to holding the dual trial run. Prime Minister's economic adviser Dr Mashiur Rahman will lead the Bangladesh side in the meeting.

Former president of Dhaka Chamber of Commerce and Industry and adviser to Business Initiative Leading Development (BUILD) Trustee Board Asif Ibrahim told the FE on Sunday that a decision will be taken at the meeting on how to begin courier service and hold the trial run shortly.

BUILD chief executive officer (CEO) Ferdaus Ara Begum said there is huge potential to flourish e-commerce business in Bangladesh. Many Indian entrepreneurs are interested to get products from Bangladesh through e-commerce for their own market as well as to deliver to third countries.

Citing an example, she said Indians are fond of Bangladesh's silk sarees which can be sent there through a dependable currier service. The carrying cost of goods will come down significantly if those can be sent by road instead of by air. She said introduction of courier service by road, facilitating e-commerce, is necessary to will help further grow SMEs in Bangladesh.

The CEO of BUILD said there is an adequate scope of running such courier service both by road, by train and waterways and the governments of the two countries need to take steps in this regard.

Under the WTO trade facilitation agreement, there is provision for domestic transit. In absence of a motor vehicle agreement, Bangladesh and India can launch express courier service under that agreement," she said replying to a query.

The BUILD, a public-private dialogue and research body along with the Confederation of Indian Industry (CII), India is organising the joint taskforce meeting, she said.

Two similar dual trial runs of courier services were held in the past-one in November 2015 on Kolkata-Agartala-Dhaka route, and another in January 2016 on Dhaka-Delhi route. The DHL Global and Bangladesh Freight Forwarders Association (BAFFA) helped to hold trial run.

According to officials, presently the Maitree Express Train running between Dhaka and Kolkata has eight round trips a week. In last fiscal year, some 0.715 million tonnes of goods were transported by Maitree Express Train through Benapole-Petrapole route.

There are 75 luggage vans in Maitree Express Train by which 60 tonnes of goods can be transported each time. Railway can be a good mode for carrying courier consignments if required facilities are developed, they noted.

Bangladeshi businesses allege that despite duty-free and quota-free market access, export of goods to India is not rising significantly due to various non-tariff and para-tariff barriers.

The bilateral trade between Bangladesh and India reached over US$ 6.0 billion which is highly tilted towards India. In the fiscal year 2015-16, Bangladesh exported goods worth $ 689 million to India and imported goods worth $ 5.452 billion from the neighbouring country.

Bangladesh mainly exports woven garments, knitwear, home textile, agri-products, frozen food, leather and leather products, footwear, raw jute, jute goods, and bicycle. On the other hand, Bangladesh imports cotton, cotton yarn, cotton fabrics, vehicles, nuclear reactor, boilers, machinery and mechanical appliances, cereals, edible vegetables, iron and steel.

Source: thefinancialexpress-bd.com- Aug 22, 2017

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China: Cotton yarn futures trading begins in China's Zhengzhou

Cotton yarn futures trading recently began on the Zhengzhou Commodity Exchange (ZCE) in the Henan province of China. This is the first commodity futures contracts launched in China since 2016 and will help investors mitigate price volatility risks by obligating them to buy or sell cotton yarn at a predetermined price at a specific time.

China's securities regulator had in July approved the launch of cotton yarn futures on the ZCE. The profit and cost of textile and apparel companies are directly affected by fluctuations in cotton yarn prices.

Cotton yarn futures, cotton futures and purified terephthalic acid (PTA) futures have formed a somewhat complete futures system for textile raw materials, a Chinese news agency quoted ZCE director Chen Huaping as

saying.

The ZCE has launched 17 types of futures and one variety of options, covering chemical engineering, energy, agriculture and building materials.

China has been developing its commodity derivatives market and plans to gradually open it up to foreign investors. In April, the country had launched white sugar options, the second commodity options after soybean meal.

Large and frequent fluctuations in cotton yarn prices have had negative impacts on related industries in the last few years, the China Securities Regulatory Commission (CSRC) had said some time back.

Source: fibre2fashion.com- Aug 22, 2017

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Cotton made in Africa (CmiA) brings 50 mn textiles to the market in 2016

Cotton made in Africa (CmiA), the largest label for sustainable cotton from Africa, brought around 50 million CmiA textiles to the market in 2016, increasing its license revenues by 47 per cent in comparison to 2015. It certified 30 per cent of cotton production in sub-Saharan Africa. About 30 textile companies including bonprix and Otto use CmiA cotton.

Since 2016 Jack & Jones from Denmark, Asos from Great Britain, Kid Interior from Norway and Aldi Süd have joined CmiA. About 50 million textiles were marked with the CmiA label in 2016. License revenues for the CmiA label increased by 47 per cent in comparison to the previous year, reaching €1,484,546.

"Every T-shirt and every pair of jeans with the CmiA seal contributes towards combating poverty and thereby counteracting the causes of migration," said Dr Michael Otto, the founder of CmiA.

CmiA could achieve a consolidated revenue of plus 47 percent in 2016 due to the boost in sales of CmiA certified cotton in the textile production countries.

The share of public financial aid in 2016 reached the lowest level of 1 per cent. The result substantiates the motto of the sponsoring organisation - Aid by Trade. Based on its goals, the foundation was able to increase the effectiveness of its contributed funds by a further percentage point in comparison to the previous year, reaching 72 per cent, said CmiA in a press release.

A total of 20 verification operations in 2016 ensured compliance with the CmiA standards and offered helpful guidelines for improvements, alongside the continual trainings. The aggregated data from verification operations in 2016 proves that the implementation of CmiA standards was significantly improved in subsequent verifications. The reviews were carried out by the three independent audit companies, EcoCert, AfriCert and Control Union.

As part of the AbTF family of standards, around 780,000 smallholder farmers, of which 18 per cent are female smallholder farmers, took part in 2016 and produced 320,000 tons of fibre cotton. This means that CmiA certifies 30 per cent of cotton production in sub-Saharan Africa. In 2016, CmiA covered a cultivation area of over 1.1 million hectares and has become the biggest standard for sustainable cotton from Africa.

Above its standard implementation, CmiA supports projects by village communities and provides financing. Among the projects are solar power projects for farmer training centres, water or women's projects. The total volume invested in cooperation projects that have been active since 2016 came to €950,000.

The projects are implemented in close alliance with local cotton companies, partners such as CARE, Welthungerhilfe, Otto, C&A, Otto Austria, and the Deutschen Investitions- und Entwicklungsgesellschaft (German Investment and Development Corporation) with funds by the federal ministry of economic cooperation and development (BMZ).

Source: fibre2fashion.com- Aug 21, 2017

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Chinese companies automating factories to boost efficiency

With China's labour cost increasing, the country is shifting focus on automation to make factories more efficient. For instance, Chenfeng Group, a leading contractor for Uniqlo operated by Japan's Fast Retailing, recently set up a production line using a hanger system in a corner of its huge garment factory in Changzhou, Northwest, Shanghai.

The factory makes 1.3 million shirts a month. This new system allows shirts to be assembled on a single hanger that moves around the production line, guided by circular rail suspended from the ceiling. The hanger stops in front of a worker, who attaches a part to the shirt or performs a task. When the worker is done, the hanger moves on to the next step, making its way around the circle until the item is finished.

Technology to boost production

There are around 50 sewing machines and their operators are deployed along the rail. Sensors determine how fast each operator is working and send the shirts to the best operator for the task at hand. The time needed to complete each step varies, depends on its complexity and the skill and experience of the worker. As one of the factory officials informed, before the new assembly method, it was difficult to keep track of progress for each of the 47 steps in the assembly process. Delays in particular steps slowed production all along the line. The new system raises production efficiency by 15 per cent.

Looking at the gains, the company is eyeing to introduce the system at around 200 of its production lines in its nine factories across China in the next two years. This will increase total output to 10 million shirts monthly by 2020, from roughly 6 million at present. Chenfeng plans to spend a total 2 billion yuan ($299 million) from fiscal 2013 through fiscal 2018 to increase production.

The change is just not limited to the hanger system but also to automating specific processes. The company is working on semi-automation of tasks such as attaching buttons and pockets, as well as sewing the center back line. This would drastically reduce the number of people needed for each step from several operators to just one. CEO Gao Dekang point out, the company is considering moving some production to Vietnam and other

locations abroad. At present, about 20 per cent of its production lines are automated. The company wants to increase the percentage to 50-60 per cent within several years. Potential areas for automation include fabric cutting machines and down filling machines. The company is also looking to introduce robots for picking goods in warehouses and shipping.
Rising labour cost – a concern

According to the Japan External Trade Organization, the monthly basic wage in China topped $400 on average last year. That was twice as high as the monthly wage in Vietnam, and four times higher that of Bangladesh. Labour costs in China are expected to continue rising 10 per cent a year or more. That has already prompted some garment makers to shift production to Southeast Asia.

In 2015, China's clothing exports totalled $175 billion, or around 40 per cent of global exports, according to data from the World Trade Organization. The value fell 6 per cent from a year earlier, while shipments from emerging economies such as Bangladesh, Cambodia and Vietnam increased.

Source: fashionatingworld.com- Aug 21, 2017

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US cotton production remains stagnant in the first half of 2017

As per latest US Department of Agriculture (USDA) estimates, the US cotton imports was nearly 8.6 million 480-pound bales during January-June 2017 compared to 8.5 million bales for the first six months of 2016. Cotton product exports decreased 3 per cent to nearly 1.8 million bale-equivalents.

During the first half of 2017, China accounted for 30 per cent of the total, with India contributing 12 per cent.

In addition, Pakistan, Vietnam, and Bangladesh each provided an additional 8 per cent of the mid-year total.

Domestic Outlook

USDA's first survey-based forecast of the 2017 crop estimates US cotton production at 20.5 million bales, compared with July's projection of 19 million bales and last season's final estimate of nearly 17.2 million bales. The 2017 production increase of approximately 3.4 million bales is the result of higher area and yield estimates compared with 2016.

Based on August forecast, total cotton planted area in 2017 is estimated at nearly 12.1 million acres, the same as indicated in the June acreage report, 2 million acres (20 per cent) above 2016. Harvested area is projected at 11.1 million acres this season. The US yield is forecast at 892 pounds per harvested acre this season, about 3 per cent above 2016 and matching the record of 2012.

Upland cotton production in 2017 is projected at nearly 19.8 million bales, about 3.2 million bales above 2016. Based on August estimates, the 2017 Southwest crop is projected to reach a record 9.6 million bales, nearly 850,000 bales above 2016. In the Southeast, 2017 production is projected to reach 5.2 million bales or nearly 27 per cent of the US cotton crop. While area in the region is expected above the 5-year average, production and yield are forecast at 5-year highs.

The Delta crop is forecast to reach 4 million bales this season—the largest production since 2012—and accounts for 20 per cent of US cotton production. For the West, upland production is forecast at 905,000 bales in 2017,200,000 bales above last season and the largest crop in 5 years. Extra-long staple (ELS) cotton production—grown primarily in the West—is expected to expand in 2017, reaching 770,000 bales and the highest since 2012. Planted area and yield are projected to increase this season to 252,000 acres and 1,495 pounds per harvested acre, respectively.

Demand trends

For 2017/18, demand is projected at 17.55 million bales, nearly 4 per cent above the July forecast but 3 per cent below the adjusted 2016/17 demand of nearly 18.2 million bales. Larger supplies from a higher August production forecast provide an opportunity for US cotton shipments in 2017/18; however, expanded production around the world this season will likely provide increased competition.

For 2017/18, US cotton exports are forecast at 14.2 million bales, 700,000 bales above last month's forecast but 700,000 bales below the revised 2016/17 export estimate.

Consequently, the 2017/18 US share of global trade is forecast to decline from 2016-17's 40 per cent to about 38.5 per cent this season, but will remain above the 5-year average of 30 per cent.

Meanwhile, US cotton mill use was reduced 50,000 bales each for 2016/17 and 2017/18 to 3.25 and 3.35 million bales, respectively, as US mill activity continues at a historically low level.

With US cotton production projected to exceed demand in 2017/18, ending stocks are forecast to rise considerably this season to 5.8 million bales, compared with 2016/17's estimate of 2.8 million bales. As a result, this season's stocks-to-use ratio is expected to more than double to 33 per cent, the highest since 2008/09 when the ratio approached 38 per cent.

Source: fashionatingworld.com- Aug 21, 2017

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NATIONAL NEWS

We hope to achieve export target of Rs 40k cr this year: TEA president

The multi-million dollar textile industry in Tirupur had to brace successive blows - Brexit, demonetisation and GST slowing down the business. But sailing through all the troubles, the industry has set an ambitious goal of achieving Rs 40,000-crore export target this year.

Tirupur Exporters Association (TEA) president Raja M Shanmugam shares the challenges and opportunities for the Tirupur industrialists in the coming years with TOI's Rajasekaran RK

After GST, has the knitwear export sector coped up with the new tax regime?

The introduction of GST has hit all the industries hard. But there were no options but to fall in line. In case of the textile industry, there were certain anomalies in the GST, especially the 18% tax levied to job work. But the Union finance ministry has corrected it after hearing from the stakeholders including TEA.

By reducing GST to 5%, it has come on par with that of the other areas like dyeing and compacting. Otherwise, the survival of the industry, especially knitwear manufacturing, would have been a question mark.

Tirupur textile units fell short of achieving their target last fiscal. Was it due to demonetisation?

Since the knitwear industry has to handle cash every week for disbursing wages, the operations were hit after demonetisation. But soon, we bounced back following other modes of transaction.

The industry fell short by Rs 4,000 crore of its target of Rs 30,000 crore. But the prime reason was Brexit because the international value of Pound had fallen up to 25%.

There is a huge growth in domestic trade from Tirupur over the past few years. How the industry balances both the exports and domestic trade?

With 50% of knitwear export in the country contributed by Tirupur, the dollar city stands sixth in the international market. Export is theimportant for Tirupur. But the domestic trade has scaled five times bigger in last five years.

The exponential growth happened because there was conceptual change in the demand of dresses from the conservative side in the country. Now, normal Indians needs four different dresses to complete their day.

The state government is proposing to introduce a textile policy. How do you think it will benefit the sector?

The government has understood its importancelately. Apart from contributing immensely to the state's economy, the textile sector has been creating more jobs, especially among the women, next to the farming industry. Many states already have such policy. More investments will flow into the state in due to the policy.

The government should create infrastructure needed for welfare of the labourers. Provisions for accommodation, skill enhancement and transport of labourers should be ensured through the policy. We have also suggested for setting up a Knitwear development board on the lines of Coir Board. Such a board would help to address the problems faced by the sector.

What is the target for this financial year?

We hope to achieve an export target of Rs 40,000 crore this year. There are a few challenges but we can face it.

Source: timesofindia.com- Aug 22, 2017

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Telangana sops for textile sector a wake-up call for Tamil Nadu

The Telangana government has announced new incentives to attract investments in the textile and apparel sector, in what could be a wake-up call for the Tamil Nadu government to prevent a chunk of investment from shifting.

Telangana has offered 1,000 acres of land for a mega textile park, besides a plug-and-play model for easy operation of these units. The state's capital and operational incentives will be applicable for new as well as existing units for the next five years. It has also warned if the units are not adequately compensating the workers, they would face action.

Telangana is the largest producer of cotton in the southern region and has around 17 per cent share in India's total cotton production.

The development comes three months after K T Rama Rao, Telangana Chief Minister K Chandrasekhar Rao's son, visited Tirupur, the knitwear capital of India, and textile city Coimbatore. Tamil Nadu accounts for one-third of the $120 billion Indian textiles industry.

"The Telangana government's decisions and implementations are in a good speed. It is high time for the Tamil Nadu government to wake up for the situation," Raja M Shanmugam, president of Tirupur Exporters Association, said, adding that there were few takers for Telangana.

In Telangana, the value-added tax (VAT)/state goods and services tax (SGST) reimbursement will be available for tax collected on end product or intermediates within the entire value chain to the extent of 100 per cent for a period of seven years from the date of commencement of commercial production or up to the realisation of 100 per cent fixed capital investment, whichever is earlier.

A capital subsidy of 25 per cent will be provided for conventional textile units and 35 per cent for technical ones involved in production of medical textiles, geotextiles, agrotextiles and protective clothing, among others. For units attracting Rs 200 crore or above investment or providing more than 1,000 jobs, the incentives will further be customised.

A capital incentive of 20 per cent of cost of plant and machinery up to Rs 5 crore per unit will be provided to existing units for modernisation and adoption of advanced technologies.

An operational assistance of up to 75 per cent will be extended towards interest rates, against loans availed for setting up these units over a period of eight years. Power subsidy, ranging from Rs 1-2 per unit, will be provided depending on the size of each industry up to five years.

Subsidies will be provided on industrial water supply, environmental conservation infrastructure, and infrastructure like roads, power and water. Under the Telangana State Skills Development Mission, the government will provide subsidies towards capacity building and skill development support to facilitate reputed institutions involved in textiles-related training programmes to set up their permanent centres in the state.

Telangana is known for its production of long staple cotton, with an annual production of about 60 lakh bales. However, processing and value addition to cotton in the state is largely limited to ginning and pressing.

Source: business-standard.com- Aug 22, 2017

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Centre set to relax ship registration rules to boost tonnage

The Central government is set to ease registration rules for Indian flag ships by changing the ownership requirement for registration from 'wholly-owned' to 'substantially-owned' as part of a plan to boost Indian tonnage.

The plan will be implemented through the new merchant shipping Bill, currently pending before Parliament, which also seeks to allow registration of ships purchased through a so-called bare-boat-charter-cum-demise (BBCD) route having a charter period of at least three years.

Indian Controlled Tonnage — a new scheme for ship acquisition introduced by the government — will also be brought under the revamped merchant shipping Act as a separate category.

The aim behind the policy changes is to bring more ships under Indian tonnage which is hovering at about 12.268 million gross tonnage (GT) comprising 1,348 ships. The Shipping Ministry has set an ambitious target to raise the country's tonnage by four times to 43 million tonnes by 2020.

For the purposes of registration, substantially owned implies ownership of more than 50 per cent shares of the vessel. "Vessels owned by joint owners, where Indian owners have a majority stake in the vessel, will be able to register under Indian flag. This will encourage vessels owned jointly by Indian and foreign entities to be registered under Indian flag, and it will be easy for small ship-owners to acquire and register the vessels. It will facilitate development of tonnage under Indian flag," a shipping industry executive said. BBCD is a form of financing ship acquisition.

Hire-purchase

Under this hire-purchase scheme, the acquisition is typically done by paying a fourth of the total cost of the vessel as down payment while the balance is paid in instalments over the demise period, typically ranging from three to five years, out of the revenues earned from operating the ship.

During the lease rental period, the ship flies the flag of the country from where the acquisition is made. On completion of the lease rentals, the ownership of the vessel is transferred to the Indian entity, which hired the vessel, and the ship becomes an Indian flag ship thereafter.

By allowing BBCD ships to be registered in India and be entitled to fly the Indian flag before the end of lease period, the Ministry is trying to tap small ship-owners or entities who cannot invest huge sum of money for purchasing vessels. "They may charter/hire the vessel on BBCD basis with an intention to transfer the ownership to an Indian owner and register such vessel as an Indian vessel," a Shipping Ministry spokesman said.

Local ship owners say there is scope for "potential mischief" as BBCD vessels are entitled to fly the Indian flag and allowed to participate in the country's coastal trade, a business that is reserved for Indian flag ships.

Source: thehindubusinessline.com- Aug 22, 2017

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Sustainability is the new trend in Indian fashion. But what does it really stand for?

Sustainable is easily the big buzzword in Indian fashion today. It drives competitive conversations, offers good branding and turbo charges collaborations with artisans and weavers on various levels. Fashion that is economically, socially and environmentally correct will soon get a landing strip as a viable retail model where people will elect to buy what's called "responsible".

The most recent boost to this buzz comes from the Lakme Fashion Week (LFW) in Mumbai. What was formerly developed as Textiles and Handlooms Day each season to rope in artisans and work is now renamed "Sustainable Fashion Day" with this Winter Festive 2017 edition.

The opening show on Thursday was called #CraftisCool. This cliched social media-savvy label was in effect a showcase by five master craftsmen from the Paramparik Karigar group, a 20-year-old crafts sustenance body. These karigars were paired with five talented young designers to create non ethnic, modern looks from old techniques of dabu printing, shibori etc. The day progressed to another curated ensemble called 'Restart Fashion'. It brought together three post-consumer waste fabric makers with three designers to create fashion from discarded and upcycled materials--wool included. A series of inventive textile shows later by established textile designers like Sunita Shankar, Akaaro and Anavila brought home the idea that if curated with design agility and collaborative commitment to handlooms, Indian fashion's next big story could indeed be ecologically responsible clothes.

Yet the immediate symbolism that leaps out of such separately marked days is that sustainable fashion is equal to textiles and crafts. While that actually is only one tenth of the definition of sustainability . When a stage is shared between a Lambani craftswoman from Sandur in Karnataka in her tribal costume and jewellery with a designer or when otherwise neglected artisans walk the ramp ahead of designers who are tweaking and modernising their wares, the signalling meanders through socio-economic interpretations. It makes you wonder if social equality should precede ecological ethic and process management which is a strong building block of sustainable fashion.

Sustainability is about craft and community, but it also implies a vast dynamic – which means consistent livelihoods, gender equality in employment, fair wages, green processes of production and manufacturing, no sweat shops or child labour, proper waste disposal, use of non toxic dyes, and most importantly how water is used, cycled and saved.

None of these designer-artisan collections that come to fashion weeks are sealed by a common hallmark of values that symbolises background checks mandated to be called “sustainable”. There is no uniform criteria, no single set of guidelines of certification like Craftmark, Khadi Mark or India Handloom brand that are seals of authenticity.

So a flood of sustainability persuasions rush in. One designer boasts a 100% sustainability GRS certification, (like Chola who worked with Anandi textiles on upcycled cotton) given by a German certification body, while another is clueless what or how waste and water management can be a part of fashion.

Not only that, the bracket “Sustainable Fashion Day” limits it to a bunch of shows and designers by selection. Those designers not showing on this day but who also pursue assorted sustainable processes or create crafts based fashion are thrown out of the ring. Few in the audience may know that stalwarts like Manish Arora and Manish Malhotra also provide artisan livelihoods or work with specific clusters from time to time even if their broad brand statement is not synonymous with textiles.

At this stage it is largely about unleashing a friendly beast. About opening conversations through thoughtfully curated work. It gives clunky techniques like Rajasthani dabu printing a modern uplift, opening dialogues between designers, stores and artisans and pushing designers to magnify livelihoods of craftspeople by extricating them from frustrating working environments.

The real beast though is at large. Which is why an important aspect of the sustainable fashion day was a show titled Craftmark by All India Artisans and Craftworkers Welfare Association (AIACA). A social organisation that works on the preservation and promotion of Indian handicrafts through sustainable initiatives, AIACA created Craftmark which is a seal, an assurance of authenticity, accepted nationally and internationally. Craftmark displayed three collections at LFW with certified craft processes,

but it is also currently developing Craftmark Green, an evolved seal of authenticity that includes ecological responsibility with the existing formula of economic and social justice.

Madhura Dutta, the Executive Director of AIACA also admits that sustainability is a confusing, complex term. Bringing up carbon foot print, use of natural materials, dyes, efficient use and reuse of water and energy, she explains the three ascending levels of turning a brand or a crafts group "green".

Minimum criteria is basic adherence, desirable criteria and best practices. Once a designer or an artisan group adheres to the basic criteria, the commitment to sustainability has begun. "The tools for Craftmark Green are currently being tested with field studies.They will influence policy and help evolve a clear framework," says Dutta.

That is work in progress. What we have now is an overlap of a dozen good intentions, a bouquet of personalised definitions of sustainability and fashion customers left to separate the wheat from the chaff.

Overheard at one of the lounges at LFW: this "garib chic" (poverty chic) is too much, what about fashion?" Simplistic and crude, but a reminder perhaps of how much awareness might be needed to make friends with the noble beast called sustainability.

Source: hindustantimes.com- Aug 21, 2017

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After Years Of Decline, Cotton Production Sees Recovery

The production of cotton in the country, which has been on a decline for two successive years, shows recovery in 2016-17 as per the latest government data. Compared to the highs of 398 lakh bales in 2013-14, the cotton production in India continued to slide for the next two financial years before making a recovery in 2016-17 with 351 lakh bales.

Year	Cotton production in lakh bales (1 lakh bale = 170 kg)
2007-08	307
2008-09	290
2009-10	305
2010-11	339
2011-12	367
2012-13	370
2013-14	398
2014-15	386
2015-16	338
2016-17 (p)	351
	Source: Cotton Advisory Board/Textile Ministry; p= provisional

Cotton production from the year 2007 to 2016

However, the figures for 2016-17 are provisional and not final. One lakh bale equals 170 kilograms. Before 2016-17, the cotton production in the country was on a decline on a year-on-year basis shows the data provided by the Cotton Advisory Board to the textile ministry.

However, the evidence of shrinking cotton production in the country has been supported in a report by Cotton Corporation of India in 2016. The report showed that the national cotton acreage came down from 128 lakh hectare to 118 lakh hectare in two successive financial years – FY 15 and FY16.

But the Central Government is confident that the cotton production for 2016-17 will surpass the levels achieved in 2015-16 and that the continued decline in cotton production was just a 'mixed trend' if analyzed for over a 10-year period. In fact, Union Textile minister is confident that for the current cotton year (2016-17), the overall production is expected to be higher than the last year.

The production of cotton witnessed a dip in the year 2007-08 from 307 lakh bales to 290 lakh bales in 2008-09, the data shows.

But this does not worry the textile ministry. Sharing the data on cotton production in the recently concluded Monsoon session of Parliament, the Union Textile Minister Smriti Irani said, “The trend is a mixed one over the last decade. While cotton production in 2008-09 declined over 2007-08, it increased continuously till 2013-14 with a Compound Annual Growth Rate (CAGR) of 6.5 per cent. Thereafter, it declined for two years.”

However, Irani was confident that in the current cotton year (2016-17), the overall production is expected to be higher than the last year.

Elaborating the reasons for the decline in cotton production, the minister said: “This was due to untimely rains in Northern and Central region in 2014-15. In this period the cotton production reduced to 386 lakh bales as against 398 lakh bales in 2013-14.

Also, due to white fly pest attack during the cotton season 2015-16,”she said. Irani maintained that the Pink boll worm attack in Gujarat region and delayed rains in Central and Southern region affected the production by around 12 per cent resulting in 338 lakh bales production during 2014-15. Irani said, “Deficit rains all across the cotton growing areas is yet another cause for the low production of cotton for the last two years.”

When asked to comment on the government’s enthusiasm and anticipation of better cotton production in 2016-17, Ashok Gulati, agriculture chair professor at Delhi-based Indian Council for Research on International Economic Relations said: “We will come to know about the status of cotton production only when the real data from mills is made available. Till such time, I cannot comment on the matter.”

Based on India Brand Equity Foundation (IBEF) report, with production of 6,106 million kg, India was the largest producer of cotton in the year 2016-17. The size of India’s textile market in 2016 was around $137 billion, which is expected to touch $226 billion market by 2023, growing at a CAGR of 8.7 per cent between 2009 and 2023.

Production of raw cotton in India grew from 280 lakh bales in FY07 and further increased to 351 lakh bales in FY17.

During FY07-17, raw cotton production expanded at a CAGR of 2.3 per cent and during FY16, out of the overall amount of raw cotton produced in the

country, domestic consumption totalled to 30 million bales; while in FY15, the domestic consumption of raw cotton stood at 30.4 million bales.

Source: businessworld.in- Aug 19, 2017

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High on symbolism, low on trade

The 19th round of RCEP negotiations concluded in Hyderabad last month with considerable uncertainty over the prospects of the deal. India is being widely made out to be the ‘spoiler’ as it is still unwilling to provide as much tariff concessions as the rest of the RCEP wants. But India might have to eventually concede much greater cuts as pressure builds up to conclude talks. The RCEP has acquired significant symbolic value given its identity as an ASEAN+ economic architecture.

ASEAN is heading into the 50th year of its existence. Trade and economic integration have been hallmarks of ASEAN’s regional framework. The ASEAN regional construct has moved well beyond Southeast Asia into other parts of Asia through the ASEAN+1 FTAs. These include the five FTAs that ASEAN has with other Asian countries: Australia & New Zealand, China, India, Japan and Korea. The RCEP is envisaged as the ‘mother’ of all ASEAN+1 FTAs as it draws into its fold ASEAN and all the six countries that are its FTA partners.

Pulling off such a humongous architecture that would clearly be the largest FTA in the world as of now would be seen as a major milestone for the ASEAN in its 50th year. It would establish ASEAN as the forerunner in forging regional economic integration efforts in the world. Its ability to take forward the agenda of global trade through regional pacts would be firmly established at a time when the TPP could not go ahead. It would also signal the willingness of major Asian powers—China, India, Japan and Australia—to work with ASEAN as a stabilising force in the region.

While Asian regionalism has a lot of stake in RCEP, it is important to distinguish between strategic benefits and economic upsides from the trade agreement. The former, of course, are substantive. Apart from the political goodwill it would generate for the ASEAN framework, the RCEP has considerable virtues as an insurance policy.

Trade and economic partnership agreements have for long been considered confidence-building-measures for avoiding frictions between countries. The ASEAN itself has been a strong advocate of this goal. The institutional economic binding in the region has helped in ensuring that internal political differences within Southeast Asia, or those between ASEAN and its partners, do not assume unmanageable proportions.

The RCEP can extend this further, particularly to strenuous bilateral relations like India-China, or Japan-China, since all countries are members of RCEP. At this point in time, there are concerns that hostilities between India and China might affect movement on RCEP. If RCEP is concluded, then it could provide another platform where India and China can engage, as they have been at the BRICS, creating the opportunity for more constructive collaboration.

On the other hand, the economic benefits from RCEP might not be substantive. Though there are estimations on quantum of gains, these simulations, products of several strong quantitative assumptions, are unlikely to indicate the right picture.

Simulations based on the liberalisation in tariffs among countries are unable to accommodate the large non-tariff barriers (NTBs) that exist in RCEP economies and which can amount to great hindrances to trade. Data on these barriers indicate the prevalence of substantive quality regulations in many RCEP countries that make it difficult for several exports to obtain access in these markets.

The two most common barriers are SPS and TBTs. The former are sanitary and phytosanitary measures (SPS) that aim to regulate exports on grounds of their causing injuries to plant, animal and human health and safety. The latter are technical barriers to trade (TBT), which focus primarily on regulating damage to environment, ecology and individuals.

According to WTO data, there are 570 SPS and 373 TBT measures currently maintained by the RCEP countries. Philippines (142), China (119) and New Zealand (88) have the most SPSs and account for more than 60% of these measures in the RCEP.

Similarly, China (104), Korea (77) and Japan (59) account for more than 60% of the TBTs. It is important to note that these are numbers based on measures informed by imposing countries to the WTO. There could well be many other measures that are maintained by many countries but not informed to the WTO. India, incidentally, is one of the relatively low users of these measures. It has 44 SPSs and one TBT.

The point to be noted is SPS and TBTs are hard to eliminate as these are domestic regulations maintained by the imposing countries and part of national quality standards. The importance of these standards from the perspective of their role in maintaining health and safety is undisputed. But at the same time, it is equally true that standards have also been tools for national governments for denying access to exports.

Globally, trade protectionism has increasingly shifted to creation of procedural obstacles to exports—a role that SPS and TBTs perform particularly well. These also increase producer costs of testing and certification that are often disincentives for exporters.

The regional consensus on RCEP appears to be on reaching a quick conclusion by agreeing on a common tariff schedule. That would produce a trade deal that is low in scope and incapable of generating as deep access for exports as it could have, had it taken on NTBs.

But unfortunately, hurry to conclude and unwillingness to work on domestic standards, is unlikely to make a dent on NTBs. So, while RCEP might fetch considerably symbolism and strategic dividends, it is unlikely to produce major growth in regional trade.

Source: financialexpress.com- Aug 22, 2017

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Branded apparel market in India may swell to Rs 250K crore by 2020

India's lucrative fashion and lifestyle market that has attracted global bigwigs like Zara and H&M is now enticing top brands from Russia to Brazil to tap the growing market for western fashion products in India.

Companies from Russia, Turkey, Poland and Japan keen on country's growing market for western fashion products.

Turkey's leading fashion brand Kigili has hired JLL India to scout for a local partner. "We have received a request to find suitable retail partners for this (Kigili) brand and are in the initial stages of the search," said Pankaj Renjhen, managing director for retail at JLL India.

Koton, the Turkish rival of Kigili, has also been exploring the Indian market for some time, a top executive of a New Delhi mall said.

India's rapidly growing fashion market has so far been dominated by European and US brands. For example, Poland's Cool Club to Russia's leading kidswear label Acoola are talking to mall owners in India to open outlets.

"Now brands from various countries are trying to make a mark in the industry," said Benu Sehgal, head of retail and marketing at Ambience Group that operates malls in Delhi and Gurgaon.

Last week, Japan's fast fashion brand Miniso made its India debut at Ambience Mall in Vasant Kunj, Delhi. Many other Japanese brands, including their top fashion retailer Uniqlo, are preparing to enter India, various people familiar with the developments said. Similarly, a host of other brands from the Land of the Rising Sun, including Mark Styler that owns fashion and lifestyle brands such as Mercuryduo, Dazzlin and Emoda, are scouting for local partners, industry sources said.

Source: economictimes.com- Aug 22, 2017

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'Export services' lack clarity under IGST

After 50 days of non-stop action on GST, it would not be an overstatement if one says the only transaction that a taxpayer can do without spending much time on *www.gst.gov.in* is to pay his taxes.

A temporary return was conceptualised for the months of July and August in place of the trilogy of monthly returns but the strength of the population of taxpayers combined with the weakness of the network has ensured that the due date for filing the return had to be extended.

There was a lot of confusion on the taxability of exports. And the clarifying notifications only added to the confusion . There remains a problem in the definition of export of services in the IGST Act that needs to be rectified at the outset.

Section 2 (6) of the IGST Act states that export of services means the supply of any service when the supplier of service is located in India, the recipient of service is located outside India, the place of supply of service is outside India, the payment for such service has been received by the supplier of service in convertible foreign exchange and the supplier of service and the recipient of service are not merely establishments of a distinct person — the latter having been defined in Explanation 1 to section 8.

This states that for the purposes of the GST Act, where a person has an establishment in India and any other establishment outside India, establishments or business verticals in two different States or Union Territories, then such establishments shall be treated as establishments of distinct persons.

Taxing exports

This would mean that if an entity registered in India provides services to any of its establishments outside India, it would meet the definition of establishment of distinct persons. Since the supply of service is to an establishment of a distinct person, it would not meet the definition of export of service. As this would not be considered to an export of service, the transaction would not be zero-rated in accordance with Section 16 to the IGST Act.

Hence, invoking the taxing provisions of the IGST Act, supply of such services would be costlier by 18 per centafter July 1st. Under the erstwhile Place of Provision of Service Rules, such services were exempt.

Is it the intention of the Department to tax inter-country-establishment transactions? To date, indirect tax laws have consistently maintained location of the recipient to be abroad and receipt of money in convertible foreign exchange to consider a transaction as an export. By inserting the condition on establishment of distinct persons, the IGST Bill appears to have unwittingly taxed transactions that they wanted to be zero-rated.

The reason for specifically defining establishments of a distinct person could have been to tax inter-State transactions and branch transfers but the definition has been expanded to exports also. The ideal way to fix this issue would be to delete the last clause in Section 2(6) in which case all exports of services would follow the Bond/LUT route for exemption just like all other exporters.

To solve this problem, Nasscom should step in now on behalf of all software service exporters with establishments abroad and lobby with the Government to zero-rate their services. The Government keeps emphasizing about improving Ease of Doing Business in India. They could make a start by training bureaucrats how to draft laws clearly.

Source: thehindubusinessline.com- Aug 22, 2017

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