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IBTEX No. 136 of 2018 July 02, 2018

USD 68.54| EUR 80.16 | GBP 90.29 | JPY 0.62

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22182	46400	**86.47**
Domestic Futures Price (Ex. Gin), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22350	46751	**87.12**

International Futures Price	
NY ICE USD Cents/lb (Dec 2018)	83.55
ZCE Cotton: Yuan/MT (Jan 2019)	15,990
ZCE Cotton: USD Cents/lb	**93.11**
Cotlook A Index – Physical	**94.45**

Cotton guide: In the gone by week cotton futures at ICE and ZCE traded down. The last week was the third consecutive week for drop in cotton price. For reference, the ICE December future settled the week at 83.92 cents per pound down by 148 points from the previous week's close. Likewise, ZCE active contract settled at 16740 down by around 200 Yuan per MT. Broadly there has been continuous sell off in cotton across the globe in entire June 2018.

We have now entered fresh into July and believe initially the trend may remain subdued with global pressure amid good rainfall in Texas region, speculators' continued sell off and USD index trading strong against major currencies pulling the dollar driven commodities lower. There has been broad sell off across commodities- both grains and oil seeds price have dropped in last few weeks of June.

More insight on price behavior of cotton, the month of June was brutal probably thanks to the trade war with China. It was cotton's worst monthly losses since August of 2016. December contract finished the month with a 772 point loss, its first monthly loss since September. For detailed report please access Kotak Commodities.

Currency Guide:

Indian rupee has appreciated by 0.15% to trade near 68.36 levels against the US dollar. Rupee has benefitted from general correction in US dollar and crude oil price. The US dollar index trades higher near 94.7 levels today but is off the near 1-year high set last week. The US dollar however remains supported by political concerns in Germany and Fed's support for two more rate hikes. Brent crude has slipped more than 1% to trade near $78 per barrel today amid US reports that Saudi Arabia is ready to raise output if needed.

Crude oil however remains supported by supply concerns relating to oil producing nations like Canada and Libya. Weighing on rupee is weaker risk sentiment amid concerns about economic impact of US led global trade war. Also weighing on rupee is weakening investor interest.

According to the latest data of the Department of Industrial Policy and Promotion (DIPP), FDI in 2017-18 grew by only 3% to $44.85 billion. Rupee hit record low levels last week but has seen some recovery since then. We however do not expect it to sustain unless crude oil price correct sharply or unless we see a significant recovery in equity markets. USDINR may trade in a range of 68.15-68.6 and bias may be on the upside.

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 1/07/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.80	3.10
Indonesia	2.56	2.85
Pakistan	2.44	2.82
Turkey	3.10	3.30
Source: CCF Group		

China yarn

Transactions of cotton yarn continued the weakness and prices declined more by 200-500yuan/mt. Polyester yarn tended stable after dipping somewhat and sales of some varieties turned better.

Prices of rayon yarn stayed weakly stable. Among blended yarn, polyester/cotton yarn and polyester/rayon yarn kept stable while cotton/rayon yarn fell weakly.

International yarn

In the cotton yarn market, offtake has been moderate in Pakistan. Spinners have not been keen to sell and downstream manufacturers in need of cover have been required to meet asking rates.

Export demand remained sluggish. Local yarn rates have weakened in Bangladesh.

Source: CCF Group

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INTERNATIONAL NEWS

Textile industry in Vietnam expects high growth rate

The textile and apparel industry has been forecast to have one of the country's highest growth rates over the next 12 years.

Speaking at the 4th Vietnam Textile Summit 2018 held in Hanoi on Wednesday, Dr Tran Du Lich said he believed the future would be bright.

"Garment and textile is a key economic sector in terms of employment creation and contribution to exports. It creates 20 per cent of jobs in Vietnamese industry," said Lich.

This sector has the second highest export turnover and occupies the fifth position in the world. Last year saw goods worth more than USD31 billion, exported, representing 10.23 per cent year-on-year increase.

The rapid growth rate was expected to continue this year with an estimated turnover of USD33 billion.

In addition to maintaining traditional markets such as the US, Europe, Japan and South Korea, Vietnamese garment and textile firms have been expanding to new areas such as China, Russia and Cambodia.

It also promotes the development of the cotton fibre industry; petrochemical industry and other textile supporting industries as well as trading, services, and fashion industry.

"The textile industry contributes to the success of FDI attraction policy. FDI accounts for about 60 per cent of apparel and textile export turnover," he said adding that in the economy industrialisation strategy, the industry played an important role in the economic structure of Vietnam.

However, he said the government policies played an important role to help businesses develop. Vietnam's vocational training policies in the industry had not been effective and would need further support.

In addition, the government should encourage enterprises to mobilise capital on the stock market. The application of the Decree No 111/ND-CP on supporting industries should be promoted and be included in research budgets, application of new technologies and reduction of corporate income tax.

The government should also encourage the linking of value chains by supporting small and medium enterprises under the Law on the promotion of small-and-medium sized enterprises (SMEs).

Tran Thanh Hai, Deputy Head of the Department of Export and Import under the Ministry of Industry and Trade said new Free Trade Agreements (FTAs) which Vietnam signed or negotiated would benefit the country's garment and textile sector.

"In the 2018-22 period, the export tax of some products would be reduced to zero, creating new opportunities for the country to increase export added value and promoting the economic growth," Hai said.

On the other hand, the competitive labour costs and preferential policies would continue to help Vietnam become one of ideal destinations for investors in the sector.

However, Vietnam should continue to compete to maintain competitiveness with countries such as Bangladesh, Sri Lanka, Myanmar and Cambodia.

Sharing the ideas, Ven Tran, director of Vietnam Office of Weave Services Limited said Vietnam had experienced strong growth in textile manufacturing thanks to three key advantages as trade barriers are gradually removed.

In addition, Vietnam ranked second lowest in the regions, after Bangladesh. Its global position made it an ideal choice for investors who want to leave China.

However, there were still three main challenges to sustain this strong growth including low productivity, environmental regulation and long lead time, he said.

Long lead time means retailers and manufacturers fail to meet customers' expectation and managing raw materials is key to speeding up productivity. Material accounts for a half of total lead time and it can even be 70 per cent when it comes to overseas supply.

He suggested the solutions were to set up a common language with supply methods while factoring in risk.

The event co-organised by ECV International and Vietnam Cotton and Spinning Association (VCOSA) aimed to better understand the market, as well as mitigate risks and identify new opportunities. Meanwhile, the summit can also act as a platform for exchanges, communication and mutual assistance.

Source: borneobulletin.com- July 01, 2018

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Dhaka seeks help from developed nations to expand exports

Bangladesh is looking for new markets to boost its exports, according to commerce minister Tofail Ahmed, who is hopeful of developed countries continuing their cooperation in that regard as the country graduates from the least developed countries (LDC) group.

Ahmed was speaking at a workshop on garment and footwear products of Bangladesh in Brussels recently.

The European Union and the Organization for Economic Co-operation and Development jointly organized the workshop, Bangladesh news media reported citing an official press release.

Ahmed went to Brussels on June 24 to join the 4th review meeting of Sustainability Compact for the readymade garments (RMG) sector.

The Sustainability Compact is an agreement with the European Union, the United States, Canada and the International Labour Organisation (ILO).

Ahmed said Bangladesh has ensured labour rights, fire safety of buildings along with the health services of workers, but the third pillar of the agreement — fair price of garment products — is not getting importance.

Source: fibre2fashion.com- July 02, 2018

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S. Korea's exports to maintain growth in Q3: KOTRA

South Korea's exports will likely maintain their growth in the third quarter of this year despite losing some price competitiveness on the global arena, a state-run trade promotion agency said Sunday.

According to the Korea Trade-Investment Promotion Agency (KOTRA), its Export Leading Index for the July-September period edged up 0.3 point to 59.6.

"There are concerns brewing over the trade war between the United States and other countries as well as worries surrounding foreign exchange rates and financial instability in emerging markets, but the overall index is maintaining an upwards momentum," it said.

The leading index assesses orders placed by foreign buyers and businesses for South Korean-made goods. A reading over the break-even 50 mark means outbound shipments will grow compared to the previous quarter, while numbers falling shy of the threshold reflect weaker exports.

KOTRA said that with the exception of the Middle East and Africa, the numbers all showed improvement in exports.

In particular, the index for the Commonwealth of Independent States surged 22 points to 81.3 for the third quarter, with numbers for Japan and Asia and Oceania reaching 60.2 and 62.5, respectively. The figures for Latin America and Europe stood at 59.6 and 68 for the three-month period.

Sector by sector, the data showed South Korean exports of semiconductors, auto parts, food and textiles may post growth in the coming months, although wireless telecommunication and steel could have to cope with weaker overseas demand. The index for semiconductors reached 75.7.

KOTRA said the country's price competitiveness evaluation index stood at 47.8, down 0.1 point from the second quarter.

The drop in the country's overall price competitiveness marks the ninth quarter in a row that this number has headed south. Weaker numbers generally impact labor-intensive industries and those competing with countries that can produce same products cheaply by taking advantage of a lower-paid workforce.

Source: yonhapnews.co.kr- July 01, 2018

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Cotton Day in Korea helps in US cotton sales

The 17th annual Cotton Day, a Cotton USA event, which was held in Korea, helped in increasing the sales of US cotton. The Cotton Council International (CCI) joined more than 180 representatives from the textile supply chain, including mills, manufacturers, brands, and retailers, at the Cotton Day. CCI is the global marketing arm of the US cotton industry.

Textile industry representatives in Korea expect to purchase an additional 900,000 bales of US cotton as a result of attending Cotton Day. This year's 'What's New In Cotton?'-themed Cotton Day in Korea called special attention to innovation through a fashion show featuring US cotton products from technology partners.

Amidst a volatile global cotton supply and market situation, Cotton Day also featured a seminar that kicked off with a speech by Aleisha Woodward, minister counsellor for Public Affairs, US Embassy in Korea.

E. Hope "Hopie" Brooks, director, export sales, Staplcotn, gave a presentation on US cotton's sustainability. Dr. Joon Kim, chairman of the Spinners & Weavers Association of Korea (SWAK), discussed US cotton-rich Korean yarn competitiveness.

Roger Gilmartin, a CCI consultant, presented the advantages of using US cotton-rich yarns in knitted fabric and garment manufacturing. Karin Malmstrom, director, Northeast Asia and China, CCI, spoke about what's new at Cotton USA and explained the What's New In Cotton? initiative.

After Cotton Day Korea, many attendees praised the benefits of the Cotton USA programme and said they are proud to supply qualified US cotton-rich yarn with more competitiveness.

Source: fibre2fashion.com- June 30, 2018

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Vietnam emerges as denim fabric manufacturing center

Weaving is believed to be the weakest link in Vietnam's textile and garment value chain, but denim fabric is a strong point of local producers.

Both Vietnamese and foreign invested enterprises in the country make denim products. The localization ratio is 55-60 percent.

The biggest denim manufacturers in Vietnam include Phu Cuong, Thien Nam, Viet Hong, Tuong Long and Phong Phu Corporation. Foreign invested enterprises in the field are mostly from Asia, such as Hyosung from South Korea and Texhong from China.

TCE Group has a joint venture in Vietnam with the Vietnam Textile & Garment Group (Vinatex) and Thien Nam Investment & Development JSC.

TCE, South Korea's leading group in the textile & garment industry, has many projects in Vietnam, with one in Nam Dinh province the largest.

Vietnamese enterprises have also invested in technology to make high-quality products. Phong Phu Corporation has shifted to knitting production lines, providing high-quality products to the domestic and export markets.

Analysts noted that though there are many denim projects in Vietnam, the investment in denim factories still continues. The denim manufacturing project with capacity of 30 million meters per annum has kicked off in Hoa Xa IZ in Nam Dinh province. The production line which covers all phases of the knitting process is worth $40 million.

Tuong Long's products have been sold widely in Vietnam and overseas and have been used by well-known garment companies such as Express, American Eagle Outfitters and GU (Uniqlo)

In the domestic market, Phong Phu, Saigon 3, Song Hong, Vietshing, Nha Be, Viet Tien, Protrade and Blue Exchange are the clients of Tuong Long. It is also a garment producer which makes products for Japanese brands.

According to Nguyen Thi Tuyet Mai, deputy chair of the Vietnam Textile & Apparel Association (Vinatas), Vietnamese enterprises are now willing to make high investments in production lines to strengthen ODM (original design manufacturer) and FOB production. Outsourcing doesn't bring high added value.

Foreigners seek materials

As the denim and jeans industry has been developing in Vietnam, exhibitions and trade fairs have been organized in the country.

The third Denimsandjeans Vietnam is expected to take place in Vietnam in late June, gathering 40 denim and accessories manufacturers from Vietnam and 10 other countries.

Sandeep Agarwal, managing director of Denimandjeans, said in the previous two years, saw clients from the EU and US with Top Stitched, Two Tone Denim, Laser Art, Mother Earth, and We Rock.

Source: vietnamnet.vn- June30, 2018

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US demand for Peruvian garments grows

As per the Exports and Tourism Promotion Board (PromPeru), US demand for Peruvian garments rose 6 per cent between January and April 2018 compared to the same period in 2017.

The United States' garment imports expanded 2.4 per cent in the first four months of the current year.

Similarly, shipments of Inca garments increased 87.2 per cent between January and April 2018. These were followed by those from Canada (+56 per cent), Brazil (+49.4 per cent), Germany (+39.1 per cent), and Argentina (+17.9 per cent).

Garment exports account for 68 per cent of Peru's total textile sales and 57 per cent of the sector's growth, which is mainly explained by greater shipments of knitted cotton shirts (+43.5 per cent) and cotton T-shirts (+21.5 per cent).

PromPeru noted national garment exports amounted to $295 million in Jan-Apr period, up 9.6 per cent over the same term last year. Garment sales abroad saw a 17.5 per cent rise last April compared to the same month in 2017.

Source: fashionatingworld.com- June 30, 2018

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Pakistan: US' trade war on several fronts

The United States' trade war with China, the European Union, Canada, Mexico, Japan and Australia so far is a relatively small percentage of total trade with these countries.

However, there is a distinct possibility of escalation given that these countries have either announced or are considering announcing retaliatory measures which prompted President Donald Trump to warn, in a tweet, that in the event of retaliation against US exports, further import tariffs would be slapped on other imports from these countries.

The question is whether Trump's tariffs are having any salutary effect on US trade deficit? The US Commerce Department recently noted that the trade gap narrowed 2.1 percent to 46.2 billion dollars, the smallest since September last year.

Data for March was revised to show the trade deficit falling to 47.2 billion dollars, instead of the previously reported 49 billion dollars. However, with retaliatory measures already announced by several countries and the EU this may be short-lived at best.

Additionally, slapping higher tariffs on imports may not achieve a decline in US consumer demand but simply raise prices domestically.

Trump's rationale periodically released through his preferred communication medium, twitter, has been pretty much what developing countries like Pakistan have consistently complained about as they struggle with a burgeoning trade deficit attributed to unfair trade practices defined as imposing restrictions on their exports, through tariffs/quotas and/or non-tariff barriers, while insisting on 'free' trade on their potential exports.

This rationale is particularly applicable on international trade by countries like Pakistan with reliance on imports of high value-added products and fuel while exporting farm products as well as relatively low value-added products, including textiles whose imports by the developed countries is governed by special restrictive quota policies.

However, the same is not applicable to US exports and imports with the International Monetary Fund as well as Organisation for Economic Cooperation and Development (OECD) expressing concerns about the world economy if the trade war escalates.

The reason: international trade (exports as well as imports) constitute a significant portion of any country's Gross Domestic Product.

The World Bank and OECD data reveals that while in 1960, total world trade accounted for 24 percent of world GDP yet by 2016; it was a whopping 56.4 percent - more than half of the world's total GDP.

For the US total trade with the rest of the world accounted for 9 percent of its GDP but by 2016 it rose to 27 percent - a figure lower than Germany's 84 percent, France's 60 percent, the UK's 59 percent and China's 37 percent.

However, with more than a quarter of all GDP sourced to international trade, any attempt by Trump to reduce trade would have a medium to long-term repercussions on employment opportunities in export sectors in particular as well as on the economy's growth rate in general.

Trump, however, in a 2 March 2018 tweet argued that: "when a country (USA) is losing billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win.

Example when we are down 100 billion dollars with a certain country and they get cute, don't trade anymore - we win big. It's easy!" But he failed to mention that the US had a whopping trade surplus in services - to the tune of 244 billion dollars last year and a significant part of the trade surplus enjoyed by several countries with the US flows back into US stocks, and bonds and treasury bills as well as investment in real estate and in manufacturing sector.

To conclude, the Trump policy and warnings with respect to US trade with the world appears to be an ill-advised policy whose cost would be borne by Americans especially if, as appears to be the case, the world does not back down and retaliates.

Source: fp.brecorder.com- July 02, 2018

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NATIONAL NEWS

Ind-Ra: Input Prices to Remain High for Textile Sector

India Ratings and Research (Ind-Ra) expects input costs for textile players to remain high amid high cotton and crude oil prices. While demand recovery is likely to benefit cotton players to maintain their profitability, earnings for the synthetics segment may come under pressure owing to the prevailing overcapacity domestically.

Supply Moderation to Support Cotton Prices: Ind-Ra expects cotton prices to stay firm during FY19, on the back of a tight demand-supply scenario due to impending supply moderations globally amid a healthy demand.

Lower-than-expected fibre production in the current season (2017-2018; October-September) owing to crop infestation and likely acreage drop in India in the coming season (2018-2019) as well as adverse weather conditions in other key cotton growing nations could pose supply constraints.

On the other hand, India's domestic demand, which had plateaued for the past two seasons, is poised to grow during 2017-2018. Exports from India are likely to rise as well on account of several reasons including the spurt in demand from China, Indian cotton trading at a discount to the global prices as well as a depreciating rupee.

India's Stock-to-use Ratio to Fall Further: The stable supply and rise in global demand will lower carry-over stock for the coming season and reduce the stock-to-use ratio.

The Cotton Association of India has estimated the closing stock for 2017-2018 to shrink to 1.6 million bales (2016-2017: 3.0 million bales, 2015-2016: 4.50 million bales) and the stock to use ratio to 5% (10%, 15%).

Cotton Textile Margins to Remain Stable: Despite the firm cotton prices, Ind-Ra expects margins across the cotton value chain to remain more or less stable; primarily because a sustained demand from the end-user segments will allow manufacturers to pass on the price rise. Cotton yarn prices even displayed an uptick in April-May 2018.

Synthetics Margins Under Pressure: India's synthetic textile players could witness a material margin contraction during FY19, due to their inability to pass on the price rise of crude oil-based raw materials, owing to the prevailing overcapacity domestically. Within the synthetic segment, exporters and integrated players will be better placed to absorb a higher input cost, while standalone spinning units may be the most impacted.

Credit Profiles to Moderate for Man-Made Textiles: Within Ind-Ra's rating universe, the credit profiles of synthetic textile players (particularly non-integrated yarn manufacturers) are likely to moderate on account of lower profit margins and higher working capital requirements.

While cotton textile players will continue to witness a high input cost, a robust demand may allow them to pass on the same to their customers, thereby protecting their margins. Nonetheless, demand from the end-user segments remains a key monitorable for the margin to sustain.

Source: business-standard.com- June 30, 2018

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TEA urges textile mills to save knitwear garment export sector

Tirupur Exporters' Association (TEA) today urged textile mills to 'save' the knitwear garment export sector as cotton yarn price increase by Rs 20 a kg had made it difficult to sustain themselves in a competitive global environment.

"The beleaguered knitwear export sector has been passing through a challenging business environment further to implementation of GST, which led to a continuous decline of knitwear exports month on month basis since October 2017 after completion of three months transition period, TEA president Raja M Shanmugham said in a release.

Stating that the decline in exports for the second half yearly period of 2017-18 was 21 per cent, he said the most worrying factor was that the negative trend in exports growth was continuing in the current fiscal also

The average of knitwear exports in April and May was 34 per cent, he said.

Stating that the sector was now only booking orders and that business has now started to look ahead and was poised to bring back the industry from the brink after a prolonged one year period lull, he said the increase in yarn prices now would derail the industry.

This would lead to not only the sector getting affected, but also having a boomerang effect on textile mills, he said.

The TEA President said he had already met Union Textiles Minister Smriti Irani over the issue, with a request to mandate that Cotton Corporation of India ensure availability of enough quantity with desired quality to protect the interests of farmers, the textile industry and also to generate employment.

The impact of the price increase has made textile mills increase yarn prices which ultimately affect downstream value added sectors like weaving, knitting, garmenting and made ups, particularly value added exporters, as they could not hike the price, fixed more than three to five months back,he said.

Source: thehindubusinessline.com- July 01, 2018

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Refund mechanism still a pain point for exporters

Refunds getting stuck, a complex filing process and corruption in the refund process in small towns — these are some of the challenges that exporters say they are struggling with a year after the goods and services tax (GST) rollout.

Most of the problems relate to the refund of input tax credit that have to be made by the states as well. Manual intervention in the refund process has added to the transaction time and cost of exporters, experts said. While the carpet industry says Rs 400 crore is stuck in GST refunds, textile exporters estimate at least 5% of their working capital is blocked.

"An average exporter with a turnover of Rs 10 crore has at least Rs 50 lakh blocked with the government," said Amit Goyal, managing director of Mumbaibased Sarju Garments. "Why was the new system imposed on us if the refund mechanism was not in place?"

The tax department has cleared refunds above Rs 7,500 crore since May 31 when the special drive to clear those of exporters was launched.

For the textile sector, 5-10% of working capital being blocked alongside banks' skepticism about lending to it is bad news. Earlier, banks used to advance some part of loans against the expected GST refund but that has stopped now, according to the companies.

Mahavir Pratap Sharma, chairman of Carpet Export Promotion Council, pointed to three sets of issues – getting refunds against letters of undertaking, delays in reverse-charge mechanism for job workers, and a mismatch in GST rates on inputs and the final products.

"Human interference is a problem and corruption in small towns slows things down," Sharma said. "Contrary to the government's promise of 90% refunds in seven days, it still takes at least a month.

Source: economictimes.com- July 02, 2018

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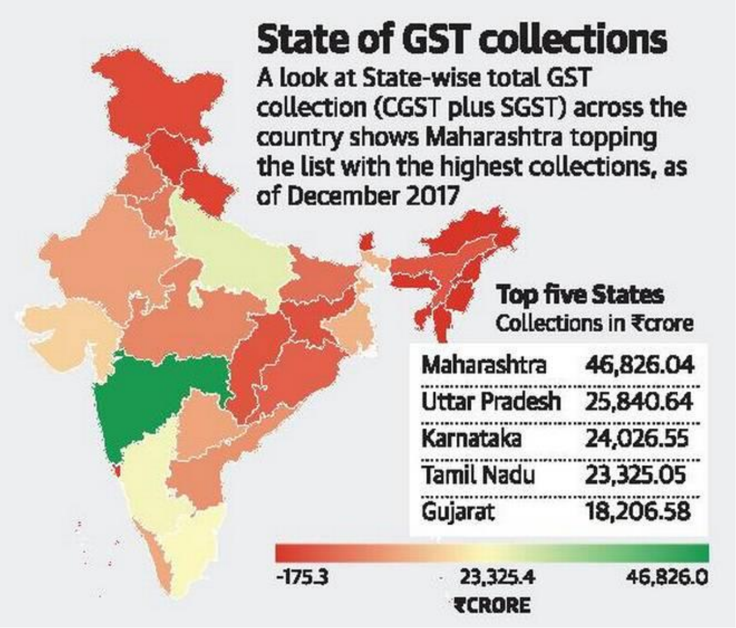
Maharashtra records 28% increase in GST revenue

Relief to traders in e-way bill system; textiles to be exempt for intra-State transport

Maharashtra has registered 28% increase in receipts under the Goods and Services Tax (GST) regime in financial year 2017-18, compared to 2016-17, State Finance Minister Sudhir Mungantiwar said on Sunday.

Total tax receipts for 2016-17 were ₹90,525.19 crore, which rose to ₹11,5940.23 crore in 2017-18 after the implementation of the GST. "The performance of Maharashtra is not only encouraging in terms of numbers, but more money in the State treasury would also mean the government will be able to spend on developmental and infrastructure works," said Mr Mungantiwar, while addressing a gathering of State and Central government officers deputed to work on GST.

According to a presentation made during the event, the first quarter of 2018 has shown an increase of 39.5% in GST collected, compared to last year. In April-June 2017, total tax collection in the State was ₹25,742.57 crore, which increased to ₹35,915 crore in April-June 2018. There are 14,45,574 GST account holders in the State, of which 4.9 lakh are registered with the Central authority and 9.55 lakh with the State sales department.



Maharashtra also tops the list in implementation of the e-way bill system, which is an electronically generated document for the movement of goods worth over ₹50,000 from one place (State) to another. Mr. Mungantiwar announced that the minimum will now be increased to ₹1 lakh. He also said textiles will be excluded from the e-way bill system within the State.

The State government also claims to have approved 77.68% applications for GST returns, adding the numbers are encouraging for traders as well. As per government data, the department received a total of 13,235 applications for GST returns amounting to ₹2,636 crore. Of these, 10,281 applications seeking refunds worth ₹2,258 crore have been sanctioned.

Mr. Mungantiwar said, “We received complaints on several issues while implementing GST over the last year. In a bid to bring more transparency, the government ensured it talked with all stakeholders and solved the problems.”

Source: thehindu.com- July 02, 2018

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Proposed hike in MSP for crops to hit exports badly

The proposed hike in MSP for crops, based on 1.5 times the A2+FL costs, in the case of rice and cotton especially, is likely to hit India's exports considerably.

In the case of paddy, where the MSPs will rise by 13.5% due to the new formula, this will take the cost of finished rice to around Rs 26,651 per tonne.

Once transport costs of 5% are added to this to take it to Kandla port, it becomes marginally more expensive than the existing global prices.

If the rupee falls to below 67 to the dollar, on average for FY19, the competitiveness gets further eroded. Last year, India exported $7.8 bn of rice.

Matters are even worse in the case of cotton, where on average, prices will rise by a whopping 28%, from Rs 40,200 per tonne for kapas to Rs 51,600 per tonne. Given the conversion ratio of around 33%, this means the prices of finished cotton will rise to Rs 156,364 per tonne as compared to the current global price of around Rs 125,553 per tonne, based on a Rs 67 per dollar exchange rate.

At this price, India's cotton exports will be hit badly, though the fact that the rupee is depreciating will cushion the fall a bit, says DK Nair, former secretary general of Confederation of Indian Textile Industry.

Since two thirds of all fibre used in India — both for local and exports market — is cotton, Nair says this will have a knockdown effect on exports of both textiles and readymade garments as well. India exported $19.3 bn worth of cotton, cotton-based textiles and readymade garments in FY18.

Gautam Nair, MD, Matrix Clothing, one of India's largest garment exporters expressed the same fears.

"Garment exporters are already reeling under high yarn and dye and chemical prices. If, on top of that, the price of basic raw material (cotton) is raised substantially in 2018-19, it will have very, very significant negative impact on our apparel exports."

IJ Dhuria, director (raw materials) at Vardhman Textiles, India's largest spinning mill says raising the cotton MSP will benefit farmers and may not hit cotton exports too much immediately since China has slapped an additional 25% import duty on American cotton and the rupee has also depreciated against the dollar. If the import duty is reduced and/or the rupee corrects, he says, India's cotton exports will be hit.

"Also, high raw material prices will erode the competitiveness of our textile and garment exports vis-a-vis competitors. It may prompt some players to explore the possibility of imports", he added.

Source: financialexpress.com- July 02, 2018

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India's trade deficit highest since 2013; experts say GST, demonetisation disrupted local businesses, hurt exports

Exports of merchandise – from industrial to agricultural goods – to African countries, Latin America and Japan dropped over the four years of Prime Minister Narendra Modi's government and grew at single digits to other regions, according to an IndiaSpend analysis of government data.

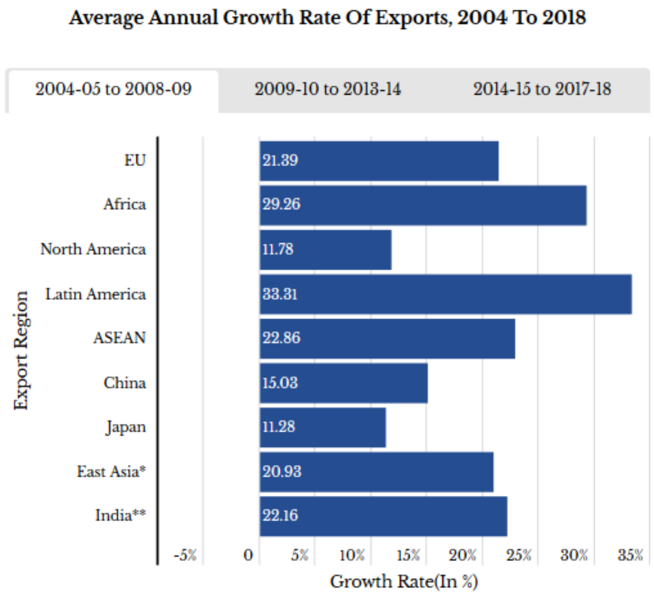
In contrast, over 10 years of the two United Progressive Alliance (UPA-1 and UPA-2) administrations, India's merchandise exports – services exports are excluded from this analysis because they are limited to certain geographies because of trade agreements – grew between 11 percent to 33 percent, the data shows.

The fall in India's exports do not follow global patterns – the growth rate of goods traded across the world grew 3 percent over the four years to 2018 and grew by 3.3 percent (2009 to 2013) – according to International Monetary Fund. Various experts attributed the Indian export decline to domestic factors, such as demonetisation, a new goods and services tax (GST) and a new bankruptcy code.

Merchandise exports to China grew between 2014 and 2018 but at less than 1 percent while imports grew at 11 percent; during 10 years of UPA rule, exports to China grew 13 percent and imports 30 percent.

India's exports to Africa between 2014 and 2018 dipped by 4.22 percent and imports increased 1 percent; during 10 years of UPA rule, exports to Africa increased 22 percent and imports 59 percent.

Overall Indian imports of merchandise grew by 1.6 percent to $465 billion over this period.



Source: Ministry Of Commerce And Industry
Note: Change calculated in US dollar trade.
* East Asia(Oceanic)
** India (Total Exports)

India's exports-to-gross-domestic-product (GDP) ratio at 11.44 percent in 2017 was the lowest since 2005, according to the International Monetary Fund (IMF) Outlook Report 2018.

Slowing exports and increase in imports (an average annual increase of 1.6 percent from 2014-15 to 2017-18) has pushed the trade deficit from $137 billion in 2014-15 to $162 billion in 2017-18, the highest since 2012-13.

"We are facing serious headwinds at a time when the global economy post 2008 had become extremely fragile," commerce minister Suresh Prabhu was quoted as saying in The Indian Express on 18 June, 2018.

India's trade openness – the sum of exports and imports to GDP – was 27 percent in 2016, according to the IMF database, compared to an all-time high of 43 percent in 2012. Trade openness is an indicator of the economy's participation in global trade.

"The first of the policy moves was the unique demonetisation experiment," Ruchir Sharma, chief global strategist at Morgan Stanley, wrote in The Times of India on 4 October, 2017.

"The second was the goods and services tax, which was supposed to bring India in line with global standards but instead added typically Indian layers of complexity. These policies disrupted local businesses, including exporters.

Imports have surged to meet consumer demand, widening the trade deficit and cutting into GDP growth."

The view was echoed by economists Dharmakirti Joshi, Adhish Verma and Pankhuri Tandon. "The implementation of the goods and services tax and associated glitches have had an impact, particularly on small and medium enterprises – evident in low export growth in gems and jewellery, textiles, and leather sectors," they wrote in a report for Crisil, a ratings agency.

Source: firstpost.com- June 30, 2018

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MSP hike: With $27 bn of cotton and rice exports at risk, this is a solution that creates its own risk

Government is likely to spend around Rs 190,000 crore anyway this year to procure around 68 million tonnes of wheat and rice.

Given the government is likely to spend around Rs 190,000 crore anyway this year to procure around 68 million tonnes of wheat and rice, the costs of the price deficiency plan (PDP) based on higher minimum support price (MSP) don't look too high. Based on the likely MSPs for all crops—MSPs will be fixed at 1.5 times the A2+FL costs except in wheat, where it is already 2.1 times—the scheme's cost will be Rs 174,000 crore in case the market prices fall 20% below the MSP at the time of harvest. If market prices fall 30% below the MSP, the cost will rise to Rs 260,000 crore.

The problem, however, is that the current procurement schemes and the PDP are not mutually exclusive. So, once the PDP is finally announced, chances are the government will continue to procure wheat and rice as before—but at higher MSPs—and make deficiency payments for the other crops, as well as for the wheat and rice that it is unable to procure. If it procures the other crops, instead of just making deficiency payments, the costs will shoot up further.

So, while the final costs of the PDP will become clear only after the contours of the plan are made public, the government has to keep in mind the deleterious impact it will have. There will, of course, be distortions in the cropping pattern because of the increase in the MSPs.

Cotton MSPs, for instance, will rise by 28% while there will be no hike for either tur or urad since their MSPs are already 1.6-1.7 times the A2+FL costs. Jowar cultivation could also rise significantly since the MSP will rise 44%—the current MSP is just 9% greater than A2+FL costs—but, with little demand for this crop, a rise in output will just depress prices further and, in turn, increase the deficiency payments. Indeed, one problem with Madhya Pradesh's Bhavantar, on which PDP is based, is that traders manipulated prices, and it got so costly that the state had to suspend the scheme.

Apart from distortions in crop production, what is even more worrying is the impact on exports. In the case of rice, for instance, MSPs will rise by 13.5%, taking the cost of finished rice to Rs 26,651 per tonne. Once transport costs are added, to take the rice to Kandla port for instance, this makes it more expensive than existing global prices. Indeed, if the rupee falls below 67 to the dollar, the average assumed for FY19 in the calculation, the equation gets even more adverse—India exported $7.8 billion of rice in FY18.

In the case of cotton, where MSPs will rise by a whopping 28% if this formula is used, a lot more is at stake. On average, prices of finished cotton will rise to Rs 156,364 per tonne as compared to the current global price of around Rs 125,553 per tonne, based on a Rs 67 per dollar exchange rate; right now, with finished cotton at `121,818 per tonne, India is still competitive. Nor is the problem restricted to just exports of raw cotton.

Since two thirds of all fibre used in India—both for local and exports market—is cotton, this will affect exports of both textiles and ready-made garments. India exported $19.34 billion worth of cotton, cotton-based textiles and ready-made garments in FY18, and a large part of this would become uncompetitive

In which case, since the government needs to work on alleviating farm distress—it has not been able to really free markets which would have helped farmers get better prices—a more practical solution is to make Telangana-style cash payments to farmers based on the acreage of land they cultivate.

While the cash will reduce stress, farmers will continue to grow crops based on their natural attractiveness instead of on the basis of artificial prices set by the government—wheat MSPs right now are 2.1 times the A2+FL costs while this is 1.38 for rice, 1.09 for jowar, and 1.64 for tur, etc.

While the Telangana government is paying farmers Rs 8,000 per acre as cash support in two equal installments—Rs 5,000 crore has already been disbursed since the scheme began in May—Icrier professor Ashok Gulati has proposed a Rs 10,000 per hectare cash subvention that will cost `1.97 lakh crore across the country. While the per acre amount looks quite small, a look at the cost structure of most farmers suggests it is not.

The latest reports of the Commission for Agriculture Costs and Prices estimates farmer profit—the latest data is for 2014-15 sadly—at Rs 4,265 per hectare for paddy, Rs 6,585 for tur, Rs 3,954 for cotton and Rs 10,842 for wheat, etc; profits have been calculated over the higher C2 costs, not A2+FL. Given how the scheme benefits farmers without distorting farm practices, and how it can't be manipulated by traders either, the government would do well to look at using it instead of the proposed price deficiency one.

Source: financialexpress.com- July 02, 2018

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CM takes up garment exporters' plight with Union Minister

The garment exporters in Tirupur are having a contented feeling as Chief Minister Edappadi K. Palaniswami exclusively took up the major grievances in the cluster with the Commerce Minister Suresh Prabhu.

This was following the recent communication of the exporters here with the State Government highlighting the issues that hindered the growth of the cluster during the just ended 2017-18 fiscal year.

The Chief Minister had requested the Union Minister to take up the request for enhanced interest subvention from 3 % to 5 % for the apparel sector. This apart, the exporters' plea for increasing the duty drawback to remain cost competitive in the global markets was also highlighted.

The exporters in Tirupur cluster were also struggling to get a level playing field in European and American apparel markets due to the preferential trade tariff advantages enjoyed by Bangladesh and few other direct competitor countries.

For this, the Chief Minister had suggested for steps to expedite signing of free trade agreements with European Union, United States of America and United Kingdom.

Source: thehindu.com- July 02, 2018

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One year of GST: India's garment industry suffering from GST refund delays

According to the data, apparel export went down by 14% in January this year. AEPC chairman, HKL Magu said that the government has not yet cleared tax refunds worth Rs 4,097 crore under GST

The Export Promotion Council of India has said that India won't be able to reach the $20 billion garment export target looking at the continued decline in apparel production. AEPC said India's apparel production has shown a decline of 4.7% in February and 9.9% from April to February this year. FY18. As per the government figures, August, September, October, November and December recorded 6.4%, 7.2%, 11%, 13.1% and 13.5% dip respectively last year as well.

There are two reasons for the continuous decline in growth. Lower demand for Indian-made garments in countries like the USA and UK and delay in IGST refunds. According to the data, apparel export went down by 14% in January this year.

AEPC chairman, HKL Magu said that the government has not yet cleared tax refunds worth Rs 4,097 crore under GST. This has affected the industry majorly as due to fund blockage the manufacturers are not able to pay suppliers on time.

Magu said in April this year that "Unresolved issues like cut in the duty drawback after the imposition of GST, slow GST refunds and uncertainties on future of export subsidies have hit the sentiments. The global demand is good and the industry is keen to take up more orders but cost disadvantage is affecting India's relative position as a sourcing destination"

It is to be noted that in 2017 as well the then AEPC chairman Ashok Rajani told the parliamentary panel that the garment industry has not yet witnessed any positive impact of GST. In fact, the overall impact of the new tax regime has been burdensome for the apparel exporters especially, small and medium exporters due to a considerable increase of working capital as well as higher transaction cost. He further told the panel that this has not impacted the apparel production but have also led to pressure on margins for exporters due to lowering of drawback rates.

Worth mentioning that any piece of apparel or clothing whose taxable value does not exceed Rs 1000 per piece is taxed at 5 per cent under GST while any apparel or clothing whose taxable value is more than Rs 1000 per piece is taxed at 12% GST. Since AEPC informed the Ministry of Commerce that there has been a shortfall of about 5 per cent under the new GST regime, there are chances that blocked taxes might be refunded through higher drawbacks and RoSL along with GST input tax credit refund.

Source: timesnownews.com- June 01, 2018

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A job tailor made for prisoners

Menswear firm Turtle, Bengal team up to train inmates in apparel making

Starting this August, you may be able to grab a 'handwoven' shirt made by the inmates of the Presidency Correctional Home in Kolkata.

The Kolkata-based menswear company Turtle has tied up with the West Bengal government to provide two months of training to 50-odd inmates, all serving life terms, to make finished products right from cotton fibre.

The company has set up five handloom machines, two ginning and 12 stitching machines in the correctional home, entailing an investment of around ₹8 lakh.

"We are in the process of finalising how to brand these shirts, which are likely to be priced around ₹2,000-2,500 a piece," Sanjay Jhunjhunwalla, Chairman & founder, Turtle Ltd, told BusinessLine.

Per the initial assessment, up to 120 shirts can be made in a day. They will be available across the 100-odd flagship stores of Turtle.

While the wages are yet to be worked out, the chosen 50 inmates may be paid slightly more than the average daily prisoners' wages, said Sanjoy Mukherjee, Principal Secretary, West Bengal Correctional Services.

Per the prevailing wage structure for inmates, unskilled workers earn ₹80 a day, semi-skilled ones get ₹90 a day and skilled workers, ₹100 a day.

"We are yet to take a call on the wages for the shirt-making project. But it will certainly be higher," Mukherjee said.

Apart from giving additional income, which the inmates can use for the benefit of their family, such projects also aim to equip them with specific skills that are marketable and also bridge the monotony of prison life, he added.

Scaling up

According to Mukherjee, previously there have been tie ups with NGOs and smaller entities for several projects. However, this is the first time that the department has tied up with a corporate to explore the possibility of scaling up on a commercial basis.

The initiative, which is currently a corporate social responsibility project for Turtle, could be scaled up to a commercial level at a later stage.

"The toughest part would be to ensure the quality of shirts produced. If that can be done, we can certainly look at scaling it up," Jhunjhunwalla said.

Source: thehindubusinessline.com- June 30, 2018

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African countries keen on boosting biz ties with Gujarat

"Our country's relationship with Gujarat dates back to Gandhian era. Our president follows Gandhian ideology and we will be pleased to have business tie-ups with Gujarat," said Brian Mwale Saka, first secretary, trade and economic affairs, Zambian High Commission.

Saka was speaking on the inaugural day of a three-day Saurashtra Vyapar Udyog Mahamandal (SVUM)-2018 International B2B Meet and Exhibition in Rajkot on Sunday. A total of 75 delegates from Sudan, Zambia, Congo, Nigeria, Ghana, Uganda, Kenya, Ethiopia, Togo, and Benin from Africa and south Asian countries like Afghanistan and Sri Lanka, and Combodia, Isreal and the UK participated on the first day of the conference.

Andre Poh, ambassador, embassy of the Republic of Congo from New Delhi, "African countries have a lot to learn from India when it comes to agriculture. Emphasis should be laid on agricultural tie-ups with India."

SUVM president Parag Tejura said, "African countries have a huge market for pharmaceuticals, medical tourism, Ayurvedic medicines, cosmetics, garments and textiles, agricultural equipment, fertilizers and pesticides, construction machineries, ceramics and sanitary ware, bearing tools machineries, imitation jewellery and footwear products produced by the SMEs of Saurashtra and Kutch."

This is the fourth edition of Africa trade show. Tejura said: "Our aim is to ensure that by the year 2025, 25,000 traders should start importing goods from the SMEs of Saurashtra and Kutch."

Tejura said that Rajkot has become a hub for international business conferences, but it lacks the number of convention centres. "Considering this fact, I urge the state government to set up a permanent convention centre in Rajkot."

Source: timesofindia.com- July 02, 2018

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