USD 65.64 | EUR 76.86 | GBP 86.97 | JPY 0.58

### Cotton Market

| Spot Price (Ex. Gin), 28.50-29 mm |  |
|---|---|---|
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 18310 | 38300 | 74.55 |

**Domestic Futures Price (Ex. Gin), October**

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<tr>
<th><strong>Rs./Bale</strong></th>
<th><strong>Rs./Candy</strong></th>
<th><strong>USD Cent/lb</strong></th>
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<td>18360</td>
<td>38405</td>
<td>74.75</td>
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**International Futures Price**

| **NY ICE USD Cents/lb (Dec 2017)** | **67.62** |
| **ZCE Cotton: Yuan/MT (Sept 2017)** | **15,150** |
| **ZCE Cotton: USD Cents/lb** | **87.80** |
| **Cotlook A Index – Physical** | **79.05** |

**Cotton & currency guide:** In the last week cotton broadly traded steady in comparison to previous week with change of only 1 point. However, down by 63 points from two weeks ago.

Market is though quite but the undertone remains on the weaker side.

Several factors that continues to weigh on market:

a) Expectation of US crop for the year 2017-18. The upcoming USDA monthly WASDE report releasing on 12th of this month shall give a better understanding on the crop figure. Anything above 20 million bales would be termed as better supply.

b) The end of Chinese state run auction in September became a big hit. The sum total auction were around 14,809 million bales indicating total ending stocks may have reduced to 5.43 million tons. However the ramification...
could be challenging to the world market with anticipation of fresh imports by China from the world market.

c) Indian story related to MSP could be a big challenge. The new crop arrivals have started to hit the market in a slower pace and in few weeks might see aggressive supply in the market. Especially this year being a good crop year. However the challenge is new crop for December quote forwards are already trading below Rs. 38000 per candy much lower than the MSP fixed for 29.50 to 30.50 mm at Rs. 4320 per quintal. This year would be tough for Indian Government because many other crops like soybean and pulses are trading in spot market far below the MSP.

d) Funds movement is the key factor that is perhaps keeping the market sideline. We have been seeing market moving in a very thin range of less than 3 cents is primarily because weak long positions by speculators. Also witnessed anytime market approaches near or above 70 cents becomes a huge selling position in the market.

Overall market perspective remains on the weaker side for Cotton due to oversupply expectation however the actual trend would be known as we proceed through the season.

This week cotton for December has plummeted at the start of the week. Monday has posted a negative close below 68 cents at 67.57. This morning in early Asian session market is trading quite. We believe since it has posted a close below 68 the bias may remain weak. For the day trading range would be 67.20 TO to cents per pound.

From domestic front the Indian markets were closed on Monday. We believe the weakness in ICE price trend could be adjusted in today's market.

In the futures front October, November and December contracts at MCX closed the session last week at Rs. 18540, 18270 and Rs. 18200 per bale respectively. For the day trading range would be Rs. 18070 to Rs. 18380 per bale for November future and recommend selling on rise.

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

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INTERNATIONAL NEWS

China Taps Sri Lankan Port to Shift Trade Routes

One of China’s largest and most powerful state-owned companies, China Merchants Group, with total assets of $855 billion, is in the final stages of completing a $1.1 billion purchase of a 99-year lease for a majority stake in an underdeveloped deep-water container port in Hambantota, Sri Lanka.

Once under Chinese ownership, the port could serve to shake up current trade routes, but not without some work ahead.

The port was built for more than $1 billion on a turnkey basis by Chinese state-owned contractors and is owned and operated by the Sri Lankan government’s Port Authority.

In a column written in the Financial Times, Peter Fuhrman, chairman and chief executive officer China First Capital, a Greater China-focused boutique investment bank and advisory firm, wrote, “Hambantota’s future appears now about as bright as its present is dreary...Though the Chinese ambassador to Sri Lanka has pledged that Hambantota will one day resemble Shanghai, as of today, elephants in the nearby jungle are about as numerous as dockworkers or pedestrians.”

China Merchants will take over management of the port within the next month or so, Fuhrman said. The Hambantota port, under Sri Lankan government management, has been a bust, “a half-finished commercial Xanadu where few ships now call,” he wrote, adding that the port has lost more than $300 million since it opened.

China Merchants’ plan to turn things around will rest on two prongs. Its port operations subsidiary, Hong Kong-listed China Merchants Port Holdings, will take over management of Hambantota. It is the largest port owner and operator in China. Almost 30 percent of all containers shipped into and out of China are handled in China Merchants’ ports. The ports business earned a profit of $850 million last year.

China Merchants has what the Sri Lankan government’s Hambantota port operator could never muster: the operational skill, clout, capital and
commercial relationships with shippers inside China and out to attract significant traffic to Hambantota, Fuhrman wrote.

In addition, China Merchants will enlist other large China state-owned enterprises to invest and set up shop in an 11-square-kilometer special economic zone abutting the Hambantota port. The SEZ was created at the request of the Chinese government, with the promise of $5 billion of Chinese investment and 100,000 new jobs to follow. China Merchants is now drawing up the master plan. Some top Chinese state-owned enterprises are planning to move in, beginning with a huge oil bunkering and refining facility to be operated by Sinopec, as well as a large cement factory, and later, Chinese manufacturing and logistics companies, according to Fuhrman.

**Sri Lanka’s geopolitical advantage**

The scale of what’s planned in Hambantota, however, is shaping up to be far larger, Fuhrman said.

“The flag of Chinese state capitalism is being firmly planted on this Sri Lankan beachfront,” Fuhrman wrote. “Hambantota is only 10 to 12 nautical miles from the main Indian Ocean sea lane linking the Suez Canal and the Malacca Straits. Most of China’s exports and imports sail right past. An average of 10 large container ships and oil tankers pass by every hour of every day. From the Hambantota port office building, one can see the parade of huge ships dotted across the horizon.”

He said along with transshipping to India and the subcontinent, Hambantota will provide maintenance, oil storage and refueling for shipping companies. Sri Lanka is the smallest of the four subcontinental countries, with a population of 20 million compared to a total of 1.7 billion in India, Pakistan and Bangladesh.

Sri Lanka has one geographic attribute its neighbors lack: a deep-water coastline close to Indian Ocean shipping lanes and conducive to building large deep-water ports able to handle the world’s largest container ships and supertankers. This should make Sri Lanka the ideal transshipment point for goods and natural resources going into and out of the subcontinent, he said.
The Port of Singapore is now the region’s main transshipment center. It is three to four times as distant from India’s major ports as Hambantota. Singapore is now the world’s second-busiest port in terms of total shipping tonnage. It transships about a fifth of the world’s shipping containers, as well as half of the world’s annual supply of crude oil.

**One Belt One Road**

Fuhrman linked this investment to China’s One Belt One Road policy aimed at exerting China’s industrial and political influence throughout some 65 countries in Asia, Eastern Europe and North Africa.

He said even before President Xi Jinping’s initiative was announced, Sri Lanka was seen as a key strategic and commercial beachhead for China’s future trade growth in the 40 countries bordering the Indian Ocean. China and Sri Lanka have had close diplomatic ties since the early 1950s.

Sri Lanka’s gross domestic product is $80 billion, less than one-tenth the total assets of China Merchants Group. Sri Lankan per capita GDP and literacy rate are both about double its subcontinental neighbors. While a hardly a business nirvana, it is often easier to get things done there than elsewhere in the region, Fuhrman wrote.

China Merchants Port Holdings is a powerful presence in Sri Lanka. It already built and operates under a 35-year Build-Operate-Transfer contract a smaller, highly successful container port in the capital Colombo that opened in 2013. It’s one of the few large-scale foreign direct investment success stories in Sri Lanka.

The plan is for the China Merchants’ Colombo port to mainly handle cargo for Sri Lanka’s domestic market, while Hambantota will become the main Chinese-operated transshipment hub in the Indian Ocean. Chinese SoEs are also in the process of building a port along the Pakistani coast at Gwadar and upgrading the main ports in Kenya.

“The direction of Beijing’s long-term planning grows clearer with each move,” Fuhrman wrote. “If not exactly a Chinese inner lake, the Indian Ocean will become an area where Chinese shipping and commercial interests will more predominate.”
Chinese building crews swarm across a dozen high-rise building sites in Colombo, he noted, with Chinese tourist arrivals set to overtake India’s. The main section of the unfinished highway linking Colombo and Hambantota was just completed by the Chinese.

China Merchants plans to invest between $1 billion and $3 billion to complete Hambantota port and turn it into the key Indian Ocean deep-water port. The port will be able to handle dry cargo, ships transporting trucks and autos, and oil tankers, as well as the world’s largest 400-meter container ships. Hambantota should lower prices and improve supply chains across the entire region, and so drive enormous growth in trade volumes—assuming power politics don’t intrude.

China and India have prickly relations, most recently feuding over Chinese road-building in the disputed region of Doklam on India’s northern border. India has balked at direct participation in One Belt One Road, and complains loudly about its mammoth trade deficit with China, now running about $5 billion a month.

Chinese exports to India have quadrupled over the past decade, despite India’s extensive tariffs and protectionist measures. Hambantota should allow India’s manufacturing sector to be more closely intertwined with Chinese component manufacturers and supply chains. That is consistent with India’s goal to increase the share of GDP coming from manufacturing, and manufactured exports, both still far smaller than China’s.

But India will almost certainly push back, if Hambantota leads to a big jump in its trade deficit with China, Fuhrman predicted.

India and Sri Lanka have a free-trade agreement that in theory lets Sri Lankan goods enter the vast market duty-free. Chinese manufacturers could turn the Hambantota free trade zone into a giant Maquiladora and export finished products to India. This would flood India with lowered priced consumer goods, autos, chemicals and clothing.

Bangladesh, Pakistan and Burma—smaller economies but friendlier with China—would likewise absorb large increases in exported Chinese goods, either transshipped from Hambantota or assembled there, he said.
“By itself, a Chinese-owned and operated Hambantota will almost certainly reconfigure large trade flows across much of Asia, Africa and Europe, benefiting China primarily, but others in the region, as well,” Fuhrman added. “It is a disruptive occurrence. While much of China’s [One Belt One Road] policy remains nebulous and progress uncertain, Chinese control of Hambantota seems more than likely to become a world-altering fact.”

Source: sourcingjournalonline.com - Sep 30, 2017

USA: E-commerce and Stores Aren’t Mutually Exclusive: NRF

Don’t sound the death knell for brick and mortar just yet; only a fifth of U.S. consumers are primarily online shoppers, according to the inaugural issue of Consumer View, the National Retail Federation’s (NRF) new quarterly report designed to measure consumer behavior and shopping trends in a shifting retail landscape. Further, if malls and shopping centers are looking a little worse for the wear, they’re hardly beyond resuscitation: More than three-quarters of the 3,002 consumers the NRF surveyed in July said they shop at physical stores just as much or more than they did last year.

“This report shows that the bricks-and-mortar store is still the cornerstone of American retail and likely will be for many years to come, as consumers seek authentic interaction and experiences with retailers,” said Matthew Shay, president and CEO of NRF. “Despite the changes in our industry, there is an appeal to seeing and touching merchandise in person and being able to engage with fellow human beings that has yet to go away. Even younger shoppers see the value of the store.”

In fact, only 21 percent of those surveyed described themselves as primarily online shoppers, which the report defines as people who make more than half of their purchases online. Even among millennials and the so-called Generation Z, which demographers use to describe those born since 1995, only 34 percent bought more than half of their items online. Young or old, the vast majority of consumers still prefer to make their transactions in person.
Still, young consumers are more willing than their older cohorts to embrace physical retail if it offers greater convenience or a different experience, the report said. Compared with a third of shoppers overall, half of millennials and Gen Z-ers are more likely to visit a store to hang out with friends and family (55 percent), pick up an item they ordered online (50 percent), or talk to a sales associate (44 percent).

They’re also more likely to mill around without a fixed goal. While 74 percent of total respondents said they visit stores to pick up something specific, 35 percent of millennials and 48 percent of Gen Z-ers said they often drop by stores just to browse, compared with 23 percent of Generation X-ers and 17 percent of Baby Boomers.

In general, people who shop primarily online are younger, wealthier, and more likely to live in a large city. NRF found that 49 percent of primarily online shoppers are aged 18 to 34, 53 percent of them make at least $75,000, and 53 percent live in cities with populations of 50,000 or more. To draw a contrast, 72 percent of primarily in-store shoppers are aged 35 or older, 71 percent make less than $75,000, and 63 percent live in smaller communities.

Among those surveyed, 86 percent shop for groceries mostly or entirely in-store. Those numbers hold steady when it comes to home-improvement items and tools (65 percent), personal-care and beauty products (64 percent), and home decor and furnishing (57 percent). When it comes down to clothing, however, consumers are more split. The report noted that 49 percent of consumers prefer to visit brick-and-mortar locations, 13 percent opt to go online, and 38 percent shop equally in physical and online stores.

While it’s true that technology is beginning to reshape the customer experience, many “store of the future” innovations such as smart dressing rooms and augmented reality “still remain at the periphery of consumer awareness and usage,” NRF said.

The most impactful ones, NRF added, are those that transform, not replace, physical retail. Of the consumers who went the route of buying online, then picking up in-store, 68 percent noted an improved shopping experience.
Likewise, 66 percent of those who had tried in-app store navigation and 65 percent who dabbled in mobile payment while shopping said the technologies made a positive impact.

When it comes to in-store digital displays, on the other hand, 44 percent of respondents said they made no difference to their overall shopping experience. The same lack of enthusiasm extended to the use of smartphones or tablets by store associates and messaging apps—43 percent of shoppers were indifferent to them, and 10 percent even said the innovations made their experience worse.

Source: sourcingjournalonline.com - Sep 30, 2017

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China-India rivalry warms up in South Asia

For all the bilateral co-operation and warmth within the BRICS and other institutions, the intense China versus India rivalry remains as competitive as ever in South Asia.

Being the stronger and more developed country, China generally takes the initiative in the race for regional supremacy and sets the pace. Its latest move, an offer for an investment of $7.3 billion into infrastructure projects in Myanmar’s troubled Rakhine state will certainly set alarm bells ringing in New Delhi.

This puts China in a directly confrontational course with India, because major Indian groups like Essar and others, are committed to investing over $3 billion in Rakhine – and in infrastructure projects too. These projects are a critical core of India’s much publicised ‘Act East’ policy. Their importance, not only to India’s expanding economy but also its strategic outreach, are among the reasons why India has not attacked Myanmar too strongly over the Rohingya crisis that threatens South Asia’s geo-political stability.

Critics of Indian policies and of Prime Minister Narendra Modi suggest that the major reason for the surprisingly bland joint statement issued at the end of Modi’s visit to Myanmar was Delhi’s keenness not to upset Naypyitaw too much. “Not to the extent where the Burmese authorities
were irked to cancel or re-examine the terms of the projects lined up bilaterally,” says a Kolkata-based analyst.

Ironically, even as they jostle to win greater political space in the South Asia region, on one point India and China are united – both are competing to stand by Myanmar in its hour of crisis to the consternation of other countries.

For China, the timing of its proposed move into the Rakhine makes very good sense. Myanmar is almost completely isolated in the international community because of its hardline approach towards the Rohingya.

Naturally, Myanmar is not in a dominant bargaining position to discuss favourable trade and other terms. Naypyitaw is more likely to capitulate to ‘suggestions’ from bigger aid-giving neighbours on specific projects – unless it manages to play off one against the other. Naypyitaw wins valuable breathing space, thanks to Beijing and Delhi.

This has clear and worrying implications for Bangladesh and other countries. China sees a major role for Bangladesh in its future geo-political strategy for the region. Only days ago, in the influential Global Times daily, it was proposed that China could set up major industrial production centres ‘around India’ to pressure Delhi into making more investments for regional development. The article mentioned Bangladesh as one of the areas where such centres could come up.

Such a move, it is argued, would pressure India to ‘co-operate more’ with its neighbours. ‘Not a bad thing,’ the write-up concluded on a smug note.

Within days of the article, now China spells out a new development plan for the Rakhine, a clear signal that there would be no delays in the implementation of its projects. It also sends a clear message to Dhaka and Delhi that Beijing means business.

These developments leave Indian policymakers and rulers deeply worried. They are well aware that they cannot compete with their bigger neighbour in terms of finance or other resources. Bangladesh, like Myanmar, will also be able to play off one country against the other, which will not be relished by Delhi.
However, this does not mean that China will have everything going its way either. Thanks to the cancellation of the massive dam building and other related projects at Myitsone, Myanmar is well aware of the nature and consequences of Chinese aided investment: a ruined environment, no sharing of technology or generation of attractive jobs, accepting Chinese labour on their own territory and having little control of project implementation matters or eventual market access.

Already in Pakistan, experts are questioning how their country would benefit in any way. There are over 250 textile mills closed in Pakistan because of a power shortage, falling production and failure to rev up exports, ousted by Chinese, Indian and Bangladeshi competition.

Now China is setting up textile units in its West, very close to the Chinese terminal of the CPEC economic corridor. “This should drive the last nail into the coffin of our home textile industry,” a Pakistani analyst said in a recent TV programme. “Far from boosting Pakistan’s economy and helping its production, these Chinese units will grab whatever remains of our domestic market,” he warned.

The expert mentioned the experience of Sri Lanka, which was forced by the fear of running up huge debts, to agree to Chinese proposals to the point where 90% of economic benefits from the Hambantota Port and related projects, would go China’s way. Others cited the example of how Venezuela is currently rueing the terms of its agreement with China, originally intended to help it tide over a difficult economic situation.

Delhi-based analysts think that given their experience of ‘doing business with China’, Naypyitaw would be circumspect with Beijing when it comes to working out new deals. They remain equally confident that Bangladesh too will never become a ‘Chinese colony’ either. Dhaka had earlier turned down proposals from the World Bank and China as the terms were not favourable.

“At least the present Awami League government, headed by a strong nationalist leader like Shiekh Hasina, will never take dictations from foreign powers or be railroaded into disastrous economic deals,” says one analyst.
Also, India would remember that it cannot have everything its own way in Bangladesh – which, to echo the punchline of the Global Times article, would be ‘not a bad thing’.

Source: dhakatribune.com - Oct 02, 2017

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**Egyptian textile exports increase 12%, imports decline 59%**

Minister of Trade and Industry Tarek Kabil announced that textile exports achieved a significant increase of about 12%, while imports declined by 59% this year compared to the same period last year.

This came during the meeting with the board of directors of the Egyptian Chamber of Textile Industries (ECTI) in the Federation of Egyptian Industries (FEI).

He added that the current year witnessed new expansions in the cotton cultivation fields, explaining that they increased to 215,000 feddans from 120,000 last year.

Moreover, Kabil said the ministry is currently preparing a national strategy for the textiles, spinning, and ready-made clothing industry.

In the same context, he said that this strategy aimed at promoting the textile industries sector in Egypt in all stages of production from cotton cultivation until accessing the final product.

The ministry is also preparing a study to establish a “new textile city” during the coming period, he said.

In another context, he said that the government is keen to upgrade this strategic industry to meet the needs of the local market and to promote Egyptian ready-made clothes to global markets.

Moreover, Kabil added that the ministry is exerting efforts to curb smuggling operations, which negatively impact the textile industry in Egypt.
In the same context, he pointed to the government’s keenness to take all measures to eliminate these illegal practices.

He stressed that the chamber should adopt effective initiatives to increase investment and export rates within the textile sector during the coming period.

Source: dailynewsegpyt.com- Sep 30, 2017

Export in Indonesia's textile sector $7 bn in H1 2017

Indonesia’s textile and textile products (TPT) industry continues to show positive performance, both in domestic and export markets. In the first half of 2017, the sector’s growth rate increased by 1.92 per cent to $7 billion year on year.

The industry ministry estimates that textile exports will reach $12.09 billion by 2017 end and $15 billion by 2019.

"Increased exports and domestic markets are starting to stretch this, marked by the increased utilization of production from the domestic industry," an Indonesian English-language daily quoted Industry minister Airlangga Hartarto as saying.

The government is working to facilitate logistics and strengthen local branding to improve competitiveness and productivity in this sector, he added.

Source: fibre2fashion.com- Sep 30, 2017
Vietnam to reach $70b trade with S Korea

Le An Hai, deputy head of the Ministry of Industry and Trade’s Asia-Pacific Market Department, said bilateral trade between the two countries had soared 87-fold, from $500 million in 1992, to $43.4 billion last year.

Last year, South Korea was the third largest trade partner (after Hong Kong and mainland China) and the fourth largest export market for Vietnam, according to the General Department of Customs.

South Korea is the largest foreign-direct investment (FDI) investor among 120 countries and territories with FDI projects in Vietnam, according to figures from the Ministry of Planning and Investment.

There are 6,130 FDI projects from South Korea in Vietnam, with total registered capital of $54 billion, according to the ministry.

In addition, the free trade agreement (FTA) between Vietnam and the Republic of Korea (VKFTA), which took effect in 2015, reduced more than 90 per cent of tariffs in a bid to increase Vietnamese exports to the country, according to Hai.

The FTA has created new export opportunities for more than 500 Vietnamese products, especially agro-forestry and aquatic products such as shrimp, crab and fish.

Tropical fruit, garments and textiles, and wood and mechanical products will also benefit from the relaxation of tariffs, he said.

Speaking at the seminar, Heo Songmoo, counselor for food & drug safety affairs at the South Korean Embassy, said the Korean market has a population of more than 50 million and high food consumption. Food trade between Vietnam and South Korea reached $12 million in 2015.

Speaking on the sidelines of the meeting, Songmoo said food safety should match the country’s high standard of imports, which is equivalent to standards required in the United States and Japan.
“Improving marketing tools as well as packaging (attractive, with sufficient information about the product) should be a top priority for Vietnamese exporters in order to compete with Thailand and others,” he told Viet Nam News.

Meanwhile, Yoon Byung Soo, product strategy director at Lotte Viet Nam Shopping Join-Stock Company, said Korean customers preferred healthy, high-quality products.

Viet Nam should diversify its products and pay more attention to product appearance and packaging as Korean consumers are willing to pay more for those features, he said.

Nguyen Minh Phuong, a representative from CJ Freshway Viet Nam, said that Korean standards were very high, particularly for agricultural products, creating a tough barrier for Vietnamese exporters.

South Korea exports to Viet Nam are mostly machinery and equipment, computers, electronics and parts, raw materials for textile and garments, footwear, iron, steel and chemicals.

Viet Nam exports mainly textile and garments, telephones and parts, seafood, wood and wooden products, and footwear to South Korea.

South Korea has an area one-third the size of Viet Nam, but the country’s population is 51.44 million. Due to inadequate food supply from domestic producers, South Korea depends heavily on imports of agricultural products.

Viet Nam, one of South Korea’s most important trade partners, has great potential to become a strategic exporter of agricultural products to Korea, Phuong said.

Source: vietnamnet.vn- Sep 30, 2017
Pakistan looking to explore CARS, African Regions trade potential: TDAP

Pakistan is looking to search new trade avenues and will explore new markets in resources rich regions of the Central Asia and Africa to enhance country's export by increasing economic ties with these potential markets.

Director Trade and Development Authority of Pakistan (TDAP), Khalid Rasool told APP here on Monday Priority of government was to explore regional market by improving the trade and economic relations with Central Asian economies and Afghanistan including Africa.

For this purpose, TDAP intended to organize Pakistan Afghanistan and Central Asian Republican (CARs) Conference from November 7 to 9 in Islamabad, he added.

Pakistan had opportunity to enhance the country's export in pharmaceutical, poultry, surgical instruments, including variety of textiles items such as synthetic textile products, raw cotton, cotton Yarn, leather and sports goods, electronics, Sea food, furniture, cement, apparel, marble and agro based industry like rice, beef, sugar, poultry chicken, potatoes, fruits and vegetables, he said.

He said the trade ministers and business community and Chambers of Commerce and Industry from both Afghanistan and Central Asian would be invited to attend the conference.

Senior official of Ministry of Commerce informed that the main objective of this conference was to enhance bilateral trade volume, strengthen trade and economic ties and regional trade integration of these economies.

"We want to touch the untapped market of Central Asia with a total population of over 66.5 millions spread over an area of about four million square kilometers, and located on historical Silk Route," he said.

Pakistan was looking for easy access of neighbouring partners to bigger markets of the region, technology sharing focusing on collective regional prosperity, he added.
Khalid Rasool said that Central Asian States presented a consolidated market of 289 million and a GDP of $ 593.56 billion, which offered a huge reservoir of untapped economies.

He said Pakistan-Central Asia relations were based on geographical proximity, common history, religion, culture, traditions, values and destiny.

Pakistan and these states could work together in areas of trade, economic stability and development of the region, the Director TDAP said.

Replying to a question, he said that TDAP was looking to organizes "Look Africa" Business forum by November 10, in Krarachi.

He added that Pakistan had had potential to increase its exports in textile, pharmaceutical, cement, leather, chemical, low tech, marbles and Gems and Jewellery in African countries.

Source: brecorder.com- Oct 02, 2017

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Vietnam making legal amendments to help garment exporters

Vietnam’s ministry of industry and trade is making legal amendments to help cut costs and reduce administrative burdens of domestic garment manufacturers, who are under pressure due to falling global demand in the first eight months of 2017, rising wages and logistics costs and fierce competition from regional rivals like Bangladesh, Myanmar and Cambodia.

Though exports increased by 9.9 per cent between January to July this year to $19.8 billion, the ministry is concerned the export target may not be achieved due to lack of big orders for the remaining months, according to a recent news agency report.

The ministry has asked domestic producers to join foreign supermarket chains in Vietnam and attend overseas product promotion and business-matching events.
The sector aims to export about $30 billion worth of textiles and garments in 2017, says chairman of the Vietnam Textile and Apparel Association Vu Duc Giang. The United States is expected to be the biggest buyer, absorbing half of the exports.

Source: fibre2fashion.com- Oct 02, 2017

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Job creation slows in Bangladesh

The rate of job creation has slowed down in Bangladesh. Between 2003 and 2016 an average of 1.15 million net jobs were created in Bangladesh each year. Between 2003 and 2010, total employment grew by 3.1 per cent a year before falling back to 1.8 per cent between 2011 and 2016, impacting women and youths in particular.

The country saw strong GDP growth but this is not reflected in the job market. The largest job provider in the private sector in readymade garments factories has seen a fall in job creation. Even the participation of women has declined.

The rate of job creation has slowed down due to infrastructure gaps, predominance of informality in labor markets and slow structural reforms. In the last few years, Bangladesh witnessed a six per cent GDP growth rate driven by industry and services and despite a decrease in productivity in the agriculture sector.

Growth is expected at 6.4 per cent in fiscal year ’18, driven by industry and service. Export growth is likely to pick up modestly with the expected recovery in global trade.

Remittance may turn around and private investments may pick up.

Economic growth remains resilient in spite of volatile export growth and shrinking remittances.

Source: fashionatingworld.com- Oct 02, 2017

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Pakistan: A multitude of reasons for the fall in exports

The government has finally conceded that the conflict between its trade and monetary policies was one of the key reasons behind the continuously declining exports, as nearly 45 products lost competitiveness in the international market since 2013.

In a comprehensive report to parliament, the Ministry of Commerce candidly explained what went wrong with exports during the tenure of the current government.

There is a long list of endogenous and exogenous factors that are affecting Pakistan’s export competitiveness in the region.

On the endogenous side the most important factor is the conflict between the tariff policy and monetary policy. Currency appreciation in relation to competitors like India and Bangladesh is affecting competitiveness. Moreover, import tariff on the export inputs has further added to the cost of production.

Secondly, Pakistan’s exports are highly concentrated in limited items like cotton and cotton manufacturers, leather, rice and a few more products. These constitute more than 72 per cent of total exports during 2016-17 with cotton and cotton manufacturers alone contributing 60.1pc.

Besides this narrow export basket, exports are also dominated by primary and intermediate goods rather than value-added finished products; for instance 74pc of food items and 40pc textile exports are primary commodities.

There are also multiple supply side constraints — severe shortage of energy supply, poor quality of infrastructure, outdated technology, lack of export culture, and weak contract enforcements.

Investment in export sectors has remained disturbingly low, as a cut-throat competition with emerging players such as Bangladesh and Vietnam has made margins fairly unattractive.

As a result of low levels of investment, exporters are not geared to position themselves against changing consumer preferences in partner countries.
Diversifying the export market is a major irritant in the enhancement of export proceeds. More than 50pc exports rely on only six markets — the United States, China, Afghanistan, United Arab Emirates, Britain and Germany.

Trade potential in regional markets remained highly under-exploited. These markets are the natural extension of the domestic market due to similarity of consumption patterns, short lead time and low delivery costs.

A third factor is the low production of certain commodities that have a high local demand. For instance, local demand for cement has increased while its availability as surpluses reduced for exports purposes.

At a World Bank seminar on export competitiveness, Secretary Commerce Younus Dagha — while admitting that Pakistan’s competitiveness has been under immense pressure for some time — said the government was taking all possible measures to transform the export-related challenges into opportunities.

“Investment in human resource and agriculture is imperative to make our products more competitive in international markets”, he said.

The commerce ministry report also listed exogenous factors that contribute in declining exports. A major factor constraining export growth has been the slowdown in the economies of Pakistan’s major importing partners—China, and the EU. Stagnation in these economies led to low demand for Pakistani goods.

According to the WTO, total world exports declined by 3.3pc in 2016. In a few of Pakistan’s major importing partners’ economies, a shift in demand has been noticed.

China has continued to reduce its demand for Pakistani yarn and fabric as competing countries are undercutting their prices significantly. Moreover, China is now more inclined towards high-tech products instead of low-tech products like textiles and footwear.

A change in taste and preferences in global demand has also been seen. The market for man-made fibre products is expanding at a fast pace whereas Pakistan’s textile exports remain predominately based on cotton.
Another factor hurting exports is the depreciation in major currencies. The Euro is approaching parity with the dollar and has depreciated 11pc since the start of 2015. As a result of this depreciation, Pakistan’s exports competitiveness has been affected in the European market.

On the other hand, export of basmati and non-basmati rice varieties declined mainly because of a shift in demand from key markets like Saudi Arabia and UAE, away from Pakistani rice to other countries. The demand for cement also dropped mainly due to low demand from South Africa and Afghanistan.

But contrary to these factors, SDPI Deputy Executive Director, Dr Vaqar Ahmad, explained the different dynamics of export competitiveness in Pakistan and said that to improve, both the public and private sector would need to collectively find solutions.

“These may include regulatory constraints faced by businesses, rising cost of doing business in several key sectors and anti-export bias seen in the prevalent tax and tariff structure”, he said.

The limited entry of Pakistani enterprises in the global value and supply chains, insufficient trade facilitation measures as well as a lack of synchronised support from various government bodies at federal and provincial level, uncertain availability of export credit for small and medium enterprises, and an exchange rate regime — which is not based on economic fundamentals — were the key areas that needed work, Dr Vaqar said.

Source: pakistankakhudahafiz.com- Oct 03, 2017
NATIONAL NEWS

India may be $6-trillion economy by 2027: Morgan Stanley

Digitisation will boost GDP growth by 50-75 basis points in the next decade and may lead India to become a $6-trillion economy, the third largest in the world, says a recent report by brokerage firm Morgan Stanley. India’s real and nominal GDP growth is expected to compound annually by 7.1 per cent and 11.2 per cent respectively over the next ten years.

Despite some short-term teething problems, including implementation of goods and services tax (GST), there is scope for visible shifts in economic activity starting in 2018, which would eventually lead India to be the top five equity markets in the world with a market capitalisation of $6.1 trillion and the third-largest listed financial services sector globally with a market cap of $1.8 trillion by 2027, head of Morgan Stanley India research Ridham Desai told reporters in Mumbai recently quoting the report titled 'India’s digital leap - The multi-trillion dollar opportunity’.

India’s consumer sector is also likely to add about $1.5 trillion over the next ten years, he said. GST is expected to disrupt smaller businesses causing job losses and a general slowdown in economic growth, according to the report.

The report projects gross foreign direct investment (FDI) inflows amounting to $120 billion by fiscal 2026-27 and robust stock markets as a stronger economic growth should drive stronger corporate earnings growth. The country is also likely to witness strong domestic participation in equities.

It also identifies risks, including those related to political stability, privacy debate over Aadhaar unique identity number and implementation of GST.

Source: fibre2fashion.com- Oct 02, 2017
TEXPROCIL urges Indian govt to address embedded levies

Cotton Textiles Export Promotion Council (TEXPROCIL) chairman Ujwal Lahoti has urged the government to address the issue of embedded central and state levies, which have not been subsumed under the goods and services tax (GST) regime and add to exporters’ costs even after refunds are claimed. He was addressing the council’s annual general meeting in Mumbai.

The inordinate delay in the refund of GST on exports and bond or letter of undertaking (LUT) for merchant exporters needs to be addressed, a TEXPROCIL press release said quoting Lahoti. Trade is now witnessing a paradigm shift from an ‘exemption regime’ to a ‘refund regime’ in claiming export benefits, thereby leading to working capital and liquidity crunch, he added.

He also urged the government to expedite the free trade agreement with the European Union (EU) as exporters face stiff competition from countries that have preferential duties with the EU and are losing market share to them.

Source: fibre2fashion.com- Oct 02, 2017

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Foreign trade policy: Exporters may be allowed to use scrip to pay GST

Exporters may be allowed to use a scrip they get under the critical Merchandise Export from India Scheme (MEIS) to pay goods and services tax (GST), with the GST Council expected to decide this week on a host of trade-related issues that will finally make their way into the mid-term review of the Foreign Trade Policy (2015-20) this month, official sources told FE.

The GST Council will also decide on a proposal to soften the blow to exporters on the payment of an 18% integrated GST for raw material imports under the advance authorisation scheme (AAS) for subsequent re-exports, apart from addressing another key issue of an effective mechanism for faster duty refunds to them. Before the GST was launched, exporters
were exempted from the duty payment for imports of inputs under the AAS for re-exports within a stipulated period after value addition.

Decisions on these and other GST-related issues, and greater support under the MEIS by either adding more items to the list or enhancing existing subsidy level for certain products will also feature in the review, said the sources. Sectors having immense employment potential — such as food and agriculture, garments and textiles — could get higher support in the review.

MEIS is the most important export promotion scheme under which the government provides exporters duty credit scrip at 2%, 3% or 5% of their export turnover, depending upon products and shipment destinations.

The potential revenue forgone by the government on account of the scheme is estimated at Rs 22,000-23,500 crore a year. In the pre-GST period, exporters were allowed to utilise the MEIS scrip for the payment of a host of taxes— including excise duty, service tax, value-added tax and basic customs duty. However, with the introduction of the GST, the government has permitted the use of such scrip for the payment of only the basic customs duty.

Exporters complain such a move amounts to an abrupt withdrawal of legitimate benefits announced under the Foreign Trade Policy (2015-20) to make goods exports globally-competitive and adversely affects their cash flow.

For small and medium enterprises with limited access to credit, this remains a huge challenge. However, the government is unlikely to suspend abruptly any export subsidy already promised under various schemes in the mid-term review, despite the fact that under a WTO norm, it may have to phase out export subsidies in the coming years, one of the sources said. This is because India’s export subsidies are still very less, compared with the sops cleverly tailored by many countries to effectively subsidise exports in some way or the other, he added.

The MEIS was announced in the current FTP in 2015 by merging five different schemes prevalent earlier— Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri Infrastructure Incentive Scrip and Vishesh Krishi And Gram Udyog Yojana.
In September last year, the government had last widened the ambit of MEIS to offer assistance on items ranging from certain varieties of garments to marine products and engineering goods, potentially bearing an additional cost of Rs 1,500 crore a year to the exchequer. At present, as many as 7,103 products are covered under the MEIS, with varying degree of support. Roughly 70% of the country’s exportable items are covered under the scheme.

TS Bhasin, chairman of the Engineering Export Promotion Council, said the withdrawal of the benefit to use MEIS scrip to pay GST is “unfair” and is “going to affect very badly exporters’ cash flow and working capital”. Similarly, the IGST payment for inputs imported under the AAS will make it extremely difficult for exporters to sustain operations in a fiercely competitive global market.

According to the Federation of Indian Export Organisations, the imposition of IGST on imports under the AAS is blunting exporters’ competitive edge. This is because the EU and many other countries, operating under GST/VAT regime, do provide complete exemption from import charges on inputs used for re-exports.

Source: financialexpress.com- Oct 02, 2017

As India breaches WTO threshold, Centre to seek export subsidy phase-out

India will ask the World Trade Organisation (WTO) for a reasonable time frame of eight years to phase out its export subsidies, as the country has breached an income threshold stipulated by the multilateral body to end such sops, official sources told FE.

According to the special and differential provisions in the WTO’s Agreement on Subsidies and Countervailing Measures, when a member’s per capita gross national income (GNI) exceeds $1,000 per annum (at the 1990 exchange rate) for a third straight year, it has to phase out its export subsidies.
There is, however, no clarity over the time-frame of ending such subsidies, said an official. But, even then, the country won’t be in a position to introduce a fresh direct export subsidy, some analysts said. According to the WTO data, India crossed the per-capita GNI threshold in 2013, 2014 and 2015. The 2015 figures, released by the WTO recently, revealed India’s per capita GNI rose to $1,178 in 2015 from $1,051 in 2013.

“We are reasonably convinced that we deserve an eight-year phase-out period. Such subsidy programmes can’t be stopped over night, and a country like ours, with a lot of complexities, needs a reasonable period for compliance,” said an official. “In any case, the export subsidies offered by us are like peanuts, compared with those offered by the developed world in various sectors some way or the other, despite having achieved very high income levels,” he said. Importantly, trade analysts say countries like Indonesia and Sri Lanka had breached the GNI threshold before India did and are yet to stop such subsidies.

The schemes that could face the heat include Merchandise Exports from India Scheme (MEIS), Export Promotion Capital Goods (EPCG) scheme and interest equalisation scheme for the textiles sector under the Foreign Trade Policy (FTP) 2015-20. Globally, zero-rating of exports are a norm and this is WTO compatible, as the idea is to neutralise the tax content in export items, and not to subsidise them. Under the Goods and Services Tax, this is to be achieved via a refund mechanism, as the tax’s structure doesn’t allow exemptions. Zero-rated supplies under the GST law includes export of goods and/or services and supply of goods and/or services to a SEZ developer or an SEZ unit.

Concessional/nil import tax on capital goods under the EPCG scheme is linked to specified export obligations. Although, New Delhi treats them as WTO-compatible, the US and EU reckon the duty relief is an export-contingent subsidy that is actionable under the WTO.

In the mid-term review of the Foreign Trade Policy (2015-20), slated to be announced in October, the government is unlikely to suspend abruptly any export subsidy already promised under various schemes, to give exporters the much-required time to adapt to a new regime, said another official.
Under the MEIS, the government doesn’t provide any cash subsidy but rewards merchandise exporters with duty credit scrip at 2%, 3% or 5% of their export turnover, with subject to conditions.

The potential revenue forgone by the exchequer on account of this scheme is estimated at `22,000-23,500 crore a year. The government has budgeted `1,100 crore for the interest equalisation scheme, mainly for MSME exporters.

The EPCG scheme provides for capital goods imports at zero duty, subject to an export obligation of six times of the duty saved, to be fulfilled in six years from the issue date of authorisation.

The obligation to phase out the subsidies comes at a time when India’s exports of goods and services, as a proportion of its gross domestic product, have hit a six-year low of 19.4% (in Q1, FY18) in real terms despite growing over the past 12 consecutive months following one-and-half-years of contraction.

The rupee remains over-valued by around 20% against a basket of 36 currencies of major export partners, and logistics costs are much higher than emerging market peers’.

The country’s merchandise exports dropped for two straight years before inching up a modest 4.7% to $274.64 billion in the last fiscal. However, the recovery still remains uneven, with growth rates having slowed between April and July before picking up again to just over 10% in August.

Source: financiexpress.com- Oct 02, 2017
Exporters feel pinch of delayed GST refunds

Three months after goods and services tax (GST) was implemented, exporters are facing working capital issues due to delayed refunds of integrated GST (IGST). Exporters say their order books - especially of merchant exporters - have taken a hit and if the delay continues, this may adversely affect their business.

Under GST, exporters must pay IGST and then claim refunds for tax paid on exported goods and services or they can export goods and services by furnishing a detailed bond or letter of undertaking before each export, without paying IGST and claim refund of input tax credit.

With no GST refunds for two months, merchant exporters are facing a major working capital crunch. "Working capital is a major concern for most merchant exporters at the moment, as availing IGST refunds is getting difficult despite filing GSTR forms. Major exports from Gujarat are in industries such as textiles, chemicals, pharmaceuticals, ceramics and gems and jewellery," said Bhagyesh Soneji, chairperson, Assocham Gujarat.

According to estimates of the Federation of Indian Export Organizations (FIEO), the government's liability on processing refunds for industries across the country is Rs 65,000 crore.

"Small exporters are facing cash flow issues and in the long run, it will reduce competitiveness," said Ajay Sahai, director general, Federation of Indian Exporters Organisation (FIEO).

Merchant exporters in the pharma industry are also facing an estimated 50-60% working capital crunch. "Earlier, we used to get exemptions from payment of VAT/CST through Form-H and were able to buy goods from excise-registered manufacturers under forms CT1 and ARE-1 without paying duty.

A lot of our money is stuck as tax refunds are not available after GST implementation and thus is hurting the industry exports," said Vijay Shah, a member of Pharmaceuticals Export Promotion Council (PHARMEXCIL).
The ceramics industry business in Morbi has declined significantly. "Our business is down by more than 50% as we have reduced our export orders. We have to pay 28% tax on exported goods and profit, which increases our working capital by 30%. As most merchant exporters operate on margins of around 10-12%, it is difficult to fulfil orders," said Upen Nagar, a merchant exporter from Morbi.

Textile industry players estimate a 10% dip in exports if refunds are not made available soon. "A working capital crunch is visible and due to this exports are likely to be down by 5-10% in the immediate future. If refund inflows are not available, there may be losses," said Shrinarain Aggarwal, chairman, Synthetic Rayon Textile Export Promotion Council (SRTEPC).

Source: timesofindia.com- Oct 02, 2017

With Modi’s spin, khadi is the new in thing

Nearly a hundred years ago Mahatma Gandhi gave khadi a spin, positioning the modest fabric as a symbol of Indian resistance to British rule. When Narendra Modi became Prime Minister in 2014, he became khadi’s foremost evangelist. Over the last three years, the low-profile, homespun cloth has seen its demand grow among the common and the corporate, with the khadi component in the textile industry trebling from 0.25 per cent to 0.78 per cent — a 35 per cent growth year-on-year.

“The average growth of the khadi sector was only 2.5 per cent in the 2001-14 period, which has risen to 35% in 2016-17. In fact, this is the only sector in the Indian economy that has registered a double-digit growth in the last three years,” VK Saxena, Chairman, Khadi and Village Industries Commission (KVIC), told BusinessLine.

The khadi sector has seen its turnover increase from ₹1,510 crore in 2015-16 to ₹2,007 crore in 2016-17. It currently employs nearly one crore people, including the 4.69 lakh new jobs created in FY17. In the 18-year period between 1996 and 2014, there was little addition to the number of charkhas (spinning wheels), numbering 9.6 lakh. Since then, nearly 20,000 solar charkhas are being added annually, he said.
The corporate world, responding to the PM’s appeal in his Mann Ki Baat radio broadcasts, has lapped up khadi like never before, in the form of Diwali gifts. Currently, KVIC dispatches one lakh coupons a day to corporate houses. There are nearly 15,500 khadi outlets across the country.

Textile retailer Raymond bought 1.72 lakh metres of khadi fabric for value addition in FY17 and a fresh order for 50,000 metres is pending with KVIC. Arvind Mills will buy 10 lakh metres of khadi denim this year, while the Adiya Birla Group will buy three crore metres of khadi fabric, Saxena said.

Last year, Air India gifted 46,000 khadi travel kits to international business- and first-class passengers. ONGC ordered khadi worth ₹43 crore for its 34,000 employees, while NTPC ordered 23,000 silk jackets for its staff.

Khadi’s biggest contribution has been in empowering women, providing dignified jobs to the needy, and helping them gain self-employment. From bringing tribal poachers in the Kaziranga National Park to the mainstream, and reopening a Gandhi Ashram at Sewapuri, Uttar Pradesh, to enabling elderly women in Punjab earn a livelihood so that they could buy their grandchildren gifts, the khadi sector has effectively transformed lives.

Even the e-commerce platforms have lapped up khadi. “Business in khadi has seen an average 25-30 per cent jump in the last two years, and 70 per cent in the last three months. There is also a significant jump in number of suppliers on our platform. We now have around 1,000 of them,” said Dinesh Gulati, Director, IndiaMART, a leading online marketplace for business-to-business (B2B) transactions.

Source: thehindubusinessline.com- Oct 02, 2017
Demand for uniform GST for MMF yarn, fabric in Gujarat

The South Gujarat Textile Processors Association (SGTPA) recently met the sectoral co-convener of goods and services tax (GST) council Yogendra Garg to demand a level-playing field for the man-made fabric (MMF) sector compared to cotton. While GST is 18 per cent on MMF yarn and 5 per cent on fabric, for both cotton yarn and fabric, GST remains 5 per cent.

Cotton fabric is preferred by the rich while polyester is known as the fabric of the poor. Despite this, the government has separate GST rates for the two sectors, the association complained, according to a report in an Indian English-language daily.

According to SGTPA president Jitu Vakharia, more than 50,000 fabric workers have been rendered jobless in the last two months.

Source: fibre2fashion.com- Oct 02, 2017

To promote exports under GST, government allows exporters to furnish ‘Letter of Undertaking’ in place of bond

The government has decided to exempt the small exporters from furnishing bank guarantee for shipping goods and services.

The move comes a day after meeting between FM Arun Jaitley and exporters for resolution of GST-related problems to boost overseas shipments, as per PTI.

The finance ministry clarified that a “Letter of Undertaking” will have to be submitted in place of a bond, for exporting both goods or services.

The further stated that no bank guarantee will also be required while adding that a relevant notification will be issued in due course. “The issue of cash blockage is expected to be partially addressed by this measure.

More measures are under consideration,” the ministry said.
Earlier in a meeting with the finance minister, industry and exporters raised issues like an expeditious refund of duties, deferment of filing of GST returns for six months and expansion of the ambit of the composition scheme. Exporters also wanted a resolution of problems arising from the implementation of the Goods and Services Tax (GST).

“In absence of clear refund timelines, the new duty drawback rates notified on September 21 have added to the woes of exporting and thus affecting their order book position. It is suggested that the transition period of drawback may be extended beyond September 30, 2017, till December 31,” FIEO President Ganesh Gupta said, as per PTI.

“The minister gave a sympathetic hearing to our concerns and assured all possible help. He has taken all our points positively,” he added. The FIEO also pressed for exemption from GST for merchant exporters, immediate start of the refund process with exporters facing liquidity issues and allowing export benefit scrips for payment of IGST and CGST, the report said.

Source: financialexpress.com- Sep 30, 2017

Lower duty drawback rate set to hit export of textiles

Still coping with blows of demonetisation and the Goods and Services Tax the apparel industry is now upset with a five per cent slash in the duty drawback rates on export of garments. Effective from October 1, the new development will lead to increase in prices and manufacturers fear cancellation of orders.

The new All Industry Rate (AIR) for garments is two per cent against the existing 7.7 per cent. “Such low rate is unexpected and this decision has come at a time when the industry is facing continuous decline in exports due to global conditions, rupee overvaluation and uncertainties posed by the GST regime. The industry is already facing severe financial pressure due to the increased working capital requirements under the GST regime and stress due to the uncertainties keeping the export sentiments extremely low,” said Vinod Thapar, chairman, Knitwear Club.
“The drawback is one of the key policy support measures towards lifting industry’s cost competitiveness in the wake of above slew of factors adversely affecting the sector,” he added.

“I think the revised rates are unacceptable. The Ministry of Textiles should immediately consider extending the current transition rates till March 31 to instil confidence in the sector, ensure a smooth transition into the GST and also for sustaining employment in the sector.

In the absence of an encouraging drawback rates, exports will further witness a sharp decline just ahead of the peak festival season when the industry was expecting recovery,” said Thapar.

The industry fears that with the steep decline in the drawback support, over 7,000 small and medium enterprises in the apparel export will be crippled. This will adversely affect the employment of over 12 million people.

The apparel industry needs to book orders in advance for the next season. The uncertainty for the last three months on the GST rates on apparel and job work has already cost the industry’s order books.

Another exporter Vinay Kansal said the industry was expecting continuation of the present drawback rates till such time as consultations could be completed and proper measures be taken to ensure that exports remained zero rated and no taxes were exported.

Another exporter said, “The decrease in duty drawback will lead to price hike and the fear of cancellation of orders looms large.”

Source: tribuneindia.com- Oct 02, 2017
Cotton prices nosedive amid hope of good yield

Hope of a good yield has led to prices of cotton nosediving by Rs 300-400 per quintal over the past fortnight. It comes as a bolt from the blue for the cotton farmers who had to struggle with pest attacks in previous seasons.

Cotton prices, which were hovering at Rs 4,550-4,650 per quintal at the start of the season in mid-September, have now come down to Rs 4,200-4,300. Market experts say these can go down further when the arrival starts picking up around Diwali across the country.

The rise in acreage than the previous year and a bumper crop are seen as the biggest factors that can see the cotton prices stabilizing at around or even lower than the minimum support price (MSP).

The MSP for the medium staple fibre of 27.5-28.5mm length which is produced in Punjab is Rs 4,020 per quintal. Going by the prices in the previous year when it touched Rs 5,500-5,600, the cotton growers were expecting handsome prices this year, as well but now are feeling the pinch.

After spending more on pesticides and insecticides for fear of pest attack on cotton crop, the cotton growers of Punjab facing double whammy of higher input costs and lower selling prices.

"Cotton was sown in 108.5 lakh hectares in the country in the previous season and in Punjab, Haryana and Rajasthan it was sown in 12.5 lakh hectares. This time, the acreage increased to 123 lakh hectares across the country and in Punjab, Haryana and Rajasthan it increased to 16 lakh hectares," said Vardhman Textiles' director raw material I J Dhuria.

"Last year, nearly 45 lakh bales (one bale=170 kg) were produced in the three state, it is expected to increase to 60 lakh bales. In the country, 350 lakh bales were produced last season and the number is expected to reach 385 lakh bales.

Total consumption in India is of around 320-325 lakh bales. So we will be having over 60 lakh bales as surplus. This factor has brought down the prices," he added.
Cotton trading body Indian Cotton Association Limited (ICAL) president Rakesh Rathi said that due to expectation of nearly 35 lakh more bales the prices have come down and may slip further.

"When the arrival had started in mid-September the prices were Rs 4,500-4,600 due to very short supply and now when arrival has stated it has come down with expectation of bumper crop. If exports take place only then prices are expected to increase," Rathi added.

At present, nearly 4,500-5,000 bales are arriving in Punjab mandis every day and till now nearly 60,000 bales have already arrived in the mandis. As against the 8.90 lakh bales procured last year in Punjab, this time nearly 12.5 lakh bales are expected in the state.

The cotton has been sown in 3.82 lakh hectares whereas last year it was sown in 2.57 lakh hectares. The yield is expected to be nearly 9 quintals per acre, according to agriculture department officials.

"We were expecting rates to remain above Rs 5,000 per quintal but these have come down by nearly Rs 800 per quintal. Even though we do not want to sell the crop at these prices but with no other option," said cotton grower Rashpal Singh of village Jiwan Singh Wala and Mohinder Singh of Kot Shamir, while taking tractor load of cotton to Bathinda mandi.

"We had to spend extra on pesticides for fear of pest attack and despite the increase in input cost we are losing on price.

The Union government need to increase the MSP to Rs 4,500-4,600 so that we may get some profit," said cotton grower Balwant Singh of village Sangat, who has brought his produce to at Bathinda mandi.

Source: timesofindia.com- Oct 02, 2017
Loyal Textile Mills CMD Manikam Ramaswami passed away

Shri Manikam Ramaswami, 63, Chairman and Managing Director of Loyal Textile Mills, passed away on Monday.

He is survived by his wife Valli Manikam Ramaswami and daughter Vishala Ramaswami. A multifaceted and dynamic personality, Ramaswami headed the Loyal Group, a eight-decade-old business group, offering a diverse range of products and services for textiles and apparel industries.

The Loyal Group includes the 158-year-old watch trading company P.Orr & Sons, which operates a chain of stores in Tamil Nadu and Andhra Pradesh.

Ramaswami held a B.Tech in Mechanical Engineering from IIT-Madras. A top ranker, he was awarded the Banco Foundation Gold Medal.

He has headed a range of prominent industry bodies and helped shape industrial policies for the benefit of the manufacturing sector.

Ramaswami has held the post of Chairman at TEXPROCIL; Chairman at the Southern India Mill's Association; and headed the Tamil Nadu State Council of Confederation of Indian Industry (CII).

Source: thehindubusinessline.com- Oct 02, 2017

HOME

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Spinning mills' margins to recover in Q3 on bumper cotton output

After a subdued Q1, cotton mills are likely to recover in terms of their profit margin in Q3 of the current year with increased availability of fibre from the new harvest season, which starts in October.

The profit margins of most spinning mills remained under pressure in the April-June quarter 2017. This was followed by weak global sentiment, which hampered India's cotton yarn exports and subdued demand from local markets due to traders' destocking ahead of GST (goods and services tax) implementation effective July 1.

"The level of global cotton production in CY18 is estimated to exceed consumption, after two consecutive years of shortfall. The resultant surplus, therefore, will create a downward bias in prices, which besides easing pressure on margins of the spinners, is likely to bring down their working capital requirements. This bodes well for the domestic cotton spinning industry.

"Improved supply of cotton fibre is expected to provide some respite to the domestic spinners during H2 FY2018," said Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, Icra.

Although the weather conditions have been largely favourable, erratic rainfall in Southern and Central India, flooding in some regions of North Gujarat (the largest cotton producing state in the country) and pest problems in some areas, may impact the average yield for the season.

Accordingly, the yields are expected to be lower vis-a-vis the yield of 531 kg per ha reported in the previous season. Even with a yield of around 505 kg per ha, at a level close to the past three years’ average, the cotton crop output is expected to grow by 5 per cent to around 36 million bales (170 kgs each) in CY2018.

Meanwhile, a decline in yarn realisations has affected margins of spinners in recent weeks and is likely to reflect in their second-quarter performance.
"However, with further correction in cotton prices expected with the commencement of harvest season in October, the spinners’ profitability will improve during the second half of the current financial year," said an analyst.

Cotton stocks in China continue to be higher than historical averages. As per the estimates, it will take about two-three years more for excess stocks to reach historical average levels and revival of imports by China.

Nevertheless, with this year’s cotton auctions, a recovery in yarn demand from China is likely to help the Indian yarn exporters in H2FY18. Further, Indian yarn exporters are trying to diversify their markets to increase their sales volumes.

The cotton spinning sector in India has witnessed challenges on multiple fronts over the past few quarters. While exports continue to fall due to weak demand from one of the key markets (China), domestic demand also slowed down in Q1FY18 amid focus on inventory clearance prior to GST implementation, which affected offtake and hence production volumes. Q1FY18 was the fourth consecutive quarter wherein companies reported an annual decline in volumes.

Besides the demand-side pressures, the challenges have been further accentuated by consistently firm cotton fibre prices resulting in subdued margins, as well as the strengthening of the Indian currency vis-à-vis currencies of the competing nations, thereby affecting realisations. As a result, Q1FY18 was the weakest first quarter for the domestic spinners during the past six years in terms of profitability.

Source: business-standard.com- Oct 01, 2017
Centre plans stimulus to stop slowdown discourse

The Centre has begun a slew of measures to boost medium and small scale industries, exports and the textile sector. Government insiders said a September 27 Cabinet meeting had discussed proposals related to providing stimulus to medium and small-scale industries, exports and the textile sector which have not performed to their optimum strength in last few quarters.

"Some important announcements aimed at giving a shot in the arm to these sectors will be made in the next few days," a senior government official said. These moves were initiated even before RSS chief Mohan Bhagwat expressed his views in his annual Dussehra address at Nagpur.

BJP leaders Yashwant Sinha, Subramanian Swamy, Shatrughan Sinha, RSS ideologue S Gurumurthy and Congress-led Opposition have spoken out on the falling growth rate that stands at 5.7%.

There is concern in the government over the fallout of the rising oil prices, a sensitive issue for the middle class and one which BJP often raised during its days in the opposition. Petroleum products do not fall under GST and state taxes are discretionary.

The Centre may reach out to states on various other issues to bring down prices of products during the GST Council meetings.
Some more changes in items under various tax slabs are likely to be taken up in the meeting and a possible revision in the tax rates are on the agenda to improve GDP figures.

Senior ministers will also use various fora to defend the state of the economy and project demonetisation and GST as reforms that would increase the tax base and fight corruption and black money.

With polls in Gujarat — a manufacturing and business-oriented state — round the corner, the Centre wants to set its house in order to beat any anti-incumbency due to the state of the economy.

The winter session of Parliament that begins in November is likely to see the Opposition cornering the government on the economy and NDA wants to be on a stronger footing to face the onslaught. Sources said the focus will be on strengthening national banks so that lending to small businesses and the middle class becomes easier.

The unemployment figures are a matter of concern but the government is likely to bat for job creation in the private sector and through entrepreneurship.

The disinvestment scenario is satisfactory, a senior official claimed, adding that the fiscal deficit would be tamed by the time the next budget is presented.

Source: economictimes.com- Oct 03, 2017
From textiles to I-T: Wave of job losses hits new and old economy

Textile to capital goods, banking to I-T, start-ups to energy, the economy’s downward spiral is leaving a trail of job losses across both old and new economy sectors. In the near absence of consolidated employment numbers, disaggregated data collated from across these sectors by The Indian Express points to spreading employment distress in a market where fresh hiring opportunities are increasingly limited.

Consider:

* In the textiles sector, in the last three financial years, 67 units are reported to have closed down across the country, impacting over 17,600 workers — this is as per official Union Textile Ministry data restricted to just the organised segment of the cotton and man-made fibre textile mills. This excludes the small scale industries (SSI) section of the textile value chain where shutdowns and job losses are reported to be far higher.

* Capital goods major major Larsen & Toubro (L&T) laid off about 14,000 employees across businesses during the first two quarters of the fiscal ended March 31, 2017, terming it a “strategic decision.”

* During the first quarter of this fiscal, three of the five biggest IT companies that together employed 878,913 people at the end of the June quarter, saw their workforce shrink by over 1800 people. TCS saw its workforce decline by 1,414 people, Infosys Ltd saw a net decline of 1,811 while Tech Mahindra Ltd, reported that its workforce shrunk by 1,713 people. The numbers would have been worse but for Wipro Ltd and HCL Technologies Ltd which reported net additions to their workforce.

* HDFC Bank’s total employee headcount came down by 6,096 during the January-March 2017 period – from 90,421 to 84,325. In the preceding October-December 2016 quarter, the headcount was down by 4,581. Other private sector banks are also reported to be cutting down on staff strength.

* Job losses have hit the renewable energy sector, one of the big thrust areas of the government. Wind gear supplier Suzlon Energy Ltd and turbine maker ReGen Powertech are learnt to have retrenched well over 1,500 employees over the last six months, while equipment maker Inox
Wind Ltd has not paid salaries to sections of its staff over the last two months.

* A total of 212 start-ups shut shop in 2016, 50 per cent higher than in the previous year, according to data analytics firm Tracxn. The big casualties in 2016 included PepperTap and TinyOwl. This year has seen more shutdowns, including ventures such as Stayzilla and Taskbob.

This job distress comes when three of the key drivers of the economy — private investment, private consumption and exports — are not firing, with largely government spend driving growth.

The textiles and apparel sector, where exports account for about 40 per cent of production, is down due to a combination of external factors and the impact of subdued domestic demand, alongside structural issues such as lack of economies of scale, labour woes and high overheads including electricity.

Demonetisation and the transition to GST has hit smaller players hard. The number of workers affected due to closure of cotton and man-made fibre textile units (the bigger units that comprise the non-SSI segment of the industry) during 2016-17 were 4,356 on account of the closure of 18 units, according to official Textile Ministry data on non-SSI units.

During the previous two years, the numbers were 7,938 workers affected by the closure of 27 units in 2015-16 and 5,384 workers affected from the closure of 21 units in 2014-15, taking the cumulative figure to over 17,600 workers impacted by the closure of 67 units in the last three years.

“Most of these (shut units) are in the powerloom sector. The non-SSI unit shutdown figures for the past three years is broadly in line with some of the previous years,” a senior Ministry official said. Details of closure of textile units in the decentralized sectors — powerloom etc — are not compiled and therefore were not available, he said.

Another official said the Textile Ministry has been implementing the Textile Workers Rehabilitation Fund Scheme (TWRFS) and under this, interim relief is provided to textile workers rendered unemployed because of closure of private non-SSI mills. “It has been decided to merge this scheme with Rajiv Gandhi Shramik Kalyan Yojana with effect from April 1, 2017”.

www.texprocil.org
What is disconcerting is the level of distress in the small and medium scale segment of the textile and garments industry which official government data does not capture.

On exports, India’s flat garment export performance in its single biggest market — the US — has not helped matters. India’s apparel exports to the US from January-July 2017 were up just 0.21 per cent at $2.33 billion as against an over 6 per cent jump reported by Vietnam which exported garments worth nearly three times India’s exports at $6.52 billion during the period.

The GST rollout has further hit SME players in textile hubs such as Surat, Bhiwadi and Ichalkaranji. According to Tarachand Kasat, president of the GST Sangharsh Samiti in Surat, units in the filament yarn and man-made fibre product business in Surat are losing around Rs 1.25 crore a day since the July GST rollout.

Capital goods firms are struggling as most of the downstream sectors are saddled with excess capacity and low demand.

L&T’s chief financial officer R Shankar Raman said that the company had taken a strategic decision to resize a business that was not doing well. “If there is time to get the business back to normality, it is important to reduce under-recoveries. So the jobs that we are finding redundant, we are allowing people to move on,” Raman said. Most of the layoffs were reportedly in the company’s financial services business and the minerals and metals segment even though the company did not offer an official comment on the segments where people were let go.

HDFC Bank signalled that falling staff strength may continue as greater efficiencies set in. “This is really a function of...what is happening on the digital side. We do believe that with increased digitisation, certain lines of transaction like counters, etc. actually reduce,” deputy managing director Paresh Sukthankar said in Mumbai on April 21.

The worrying aspect, though, is on two counts: sectors such as financial services and IT/BPO, which have led the limited buoyancy in the labour bureau’s quarterly establishment surveys, are laying off people on a mass scale and new economy sectors that are the thrust areas of the NDA
Government, including renewable energy and start-ups, are also facing a downward slide.

On the IT sector lay-offs, industry lobby group National Association of Software and Services Companies (NASSCOM) said there is no information on number of tech sector workers who have lost their jobs but said the IT-ITeS industry is estimated to directly employ nearly 39 lakh people, an addition of around 175,000 people over the year FY 2016-17.

The renewable sector is seeing a wave of lay-offs. Asked about its layoffs, Suzlon did not offer a formal response but a company executive said that “a manpower cost optimisation” exercise is on. ReGen Powertech, which retrenched at least 300 people from a factory it closed down in Rajasthan, is reportedly still in the process of laying off staff across units, sources said.

ReGen’s official response to queries sent by The Indian Express played down the layoffs. “We have laid off nearly 200 people in the company... The initiative of optimising the overheads has been taken by almost all wind-turbine manufacturers including Regen Powertech,” said Madhusudan Khemka, managing director Regen Powertech, in response to a query by The Indian Express.

Noida-based Inox Wind, which has not paid salaries to most employees over the last two months, did not respond to emails seeking comment. Inox Wind manufactures nacelles and hubs at a plant located in Una in Himachal Pradesh and rotor blades at facilities and tower plants in Gujarat and Madhya Pradesh.

LAYOFFS AND SHUTDOWNS
* 67 textile units shut down between FY’15 and FY’17, impacting over 17,600 staff
* L&T laid off 14,000 staff in first 2 quarters FY’17. HDFC Bank’s net jobs losses for FY’17: 3,230
* During Q1 of FY’18, TCS workforce down by 1,414; Infosys by 1,811; Tech Mahindra by 1,713
* Suzlon Energy Ltd, ReGen retrenched 1,500 over last 6 months
* 212 startups wind up operations in 2016

Source: indianexpress.com- Oct 03, 2017

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How GST is a force multiplier for exports

The role of exports in achieving a quicker pace of economic development in India becomes all the more important in the wake of strong upward revision of global export prospects for 2017 to 3.6% by the WTO as against 2.4% earlier. While, on one hand, exports are encountering a volatile foreign exchange situation, on the other hand exporters are trying to adapt to the new indirect tax regime of GST.

Zero-rating of exports: In India, exports were zero-rated even when there was no VAT before 1986 for central excise duty, since it is possible to zero-rate exports without having an all-comprehensive VAT/GST. Evidence suggests that zero-rating does make exports more competitive. Unlike exempt supplies, which are input-taxed, zero-rating of supplies (as per Section 16 of IGST Act, 2017) helps maintain an uninterrupted input tax credit (ITC) flow across the whole production-distribution chain. In order to have a seamless flow of ITC under GST, exemptions are not available even for exports.

Significant changes in export procedures: In GST regime, supplies of goods by manufacturer exporter to merchant exporter for export purpose is leviable to GST as the two have different PAN (so different GSTIN). Unlike earlier excise regime, the design of GST is such that it does not recognise merchant exporter and manufacturer exporter (for export of same goods) as same transaction, so even merchant exporter is now required to pay integrated tax upfront and later claim refund. The concept of merchant exporter, as understood in the earlier indirect tax regime, is no more valid in the GST era. Importers would thus have to pay integrated tax and then take ITC as applicable under GST rules. ITC for exports under GST are WTO-compliant.

Goods export and services export are treated equally under GST and are required to get bond or letter of undertaking (LUT). As a measure of ease of doing business, LUT in plain paper can be given by status holders or those who have received the due foreign remittances amounting to a minimum of 10% of export turnover, which should not be less than Rs 1 crore in the preceding financial year.

Duty Drawback Scheme (under Section 75 of Customs Act, 1962) had been extended till September 30, 2017. Post-exports, drawbacks are being disbursed regularly at the higher rate of composite AIR (provided no IGST
refund, no ITC of IGST/CGST or cenvat credit has been availed), which helps buttress the working capital needs of exporters (especially small and service exporters) during the GST transition phase. Duty drawback rates are likely to be revised downwards as many duties (like additional duty of customs, special additional duty) except Basic Customs Duty (BCD) will get ITC under GST. As and when the GST Council deems fit, it can include taxes on petroleum products within the purview of GST, which will then be available as ITC and will increase India’s export competitiveness.

Duty exemption schemes like Advance Authorisation and Duty-Free Import Authorisation (DFIA) enable duty-free import of inputs. Duty Entitlement Passbook (DEPB) and Duty Drawback schemes are post-import duty remission schemes. Export Promotion Capital Goods (EPCG) is a pre-export duty exemption in case of import of capital goods to be used in manufacture of export goods. All duty-free scrips have been clubbed into Merchandise Exports from India Scheme (MEIS) and Software Exports from India Scheme (SEIS) in the Foreign Trade Policy 2015-20.

The ‘no exemption and only refunds’ philosophy underlying exports in GST has led to a profound change in the way these export promotion schemes will be administered. The export benefit holder has to pay IGST in cash at the time of import for which ITC can be taken, while only liability for BCD can be debited from duty-free scrips.

After export, refund of any unutilised ITC can be claimed in terms of Section 54 of CGST Act, 2017. By virtue of amendment to Section 3 of Customs Tariff Act (CTA) 1975, additional IGST is leviable on imports made after July 1, 2017, but the Delhi High Court recently permitted clearance of consignments of imports constituting inputs for fulfilment of export orders placed prior to July 1, 2017, without any additional levies and subject to the terms of the Advance Authorisation licence issued prior to July 1, 2017.

Export refunds: Even though exporters do not collect the VAT when exporting, they have to pay duties upfront while making supplies and later take refund of GST paid on inputs. This may put pressure on their working capital. Thus, the sine qua non for exporters to benefit from zero-rating is that there should be timely refunds of all input taxes. Even though Liam Ebrill et al in the book “The Modern VAT” state that export refund is the Achilles’ heel of the VAT, expeditious disposal of refund applications by the
tax administration after due diligence will go a long way in helping exporters preserve their precious working capital enhancing liquidity. The press release by the finance ministry on September 22, 2017, rightly explored the possibility of giving refund through a manual process (if required) till the IT backbone of GST stabilises in the near future.

Exporters are also unable to claim ITC on duty suffered exports even for the month of July 2017 as GSTR-3 (actual monthly return) has still not been filed. Also, grant of provisional refund for July 2017 under Rule 91 of CGST Rules, 2017, is stuck for the same reason. The earliest date by which 90% refund for the month of July can be received by the exporter is November 17, as the last date for filing of GSTR-3 for July 2017 has been extended to November 10, 2017. Refund on the basis of GSTR-3B (simplified monthly return) read with GSTR-1 (return for outward supplies) is possible (after issue of necessary notifications) and is rightly being considered as an interim measure to expedite refunds for July and August 2017, for which the last date for filing GSTR-3B is already over.

As the statutory time limit for processing of refund application by tax authorities has been reduced from the earlier 90 days to 60 days and with the leveraging of IT, the refunds process is expected to be faster and more efficient under GST, with minimal physical interaction between exporter and the tax department. Thus, a GST based on destination principle can act as a force-multiplier for boosting exports at it frees exports from the indirect tax burden on inputs if the tax is efficiently administered.

Source: financialexpress.com- Oct 03, 2017
Industry sees a bounty cotton crop

Supported by the good South-West monsoon this season, India is set to witness a robust cotton output, which is likely to be 10-12 per cent higher as compared to previous year.

This is in stark contrast with the government’s lower first advance estimate of 322.73 lakh bales (each of 170 kg) as against the last year’s production of 337.25 lakh bales.

Speaking at the 95th Annual General Meeting of Cotton Association of India (CAI), held on Friday, Nayan Mirani, outgoing President of the Association, stated that country will witness robust cotton output during 2017-18 on account of good monsoon.

Higher output seen

“The Ministry of Agriculture estimated the acreage under cotton during the 2017-18 season (October-September) with a growth of over 12 per cent compared to last year. Yield is also likely to go up in view of the good monsoon witnessed across all cotton growing regions thus far. If the weather Gods remain kind in future as well, the country is likely to harvest a bumper crop during the ensuing 2017-18 crop year,” stated Mirani.

The International Cotton Advisory Committee (ICAC) has also predicted higher world cotton production by 8 per cent to 24.9 million tonnes, while the global acreage set to increase by 8 per cent to 31.7 million hectares.

ICAI stated that India would remain the world’s top cotton producer in 2017-18 with output rising 6 per cent to 6.1 million tonnes. In India, cotton was sown on 121 lakh hectares as on early September 2017, as against 102 lakh hectares last year. Gujarat continues to be the largest cotton growing region in the country with 26.36 lakh hectares (24.04 lakh hectares).

Prices may come down

Increase in acreage, nationally, will result in bumper crop, putting pressure on the cotton prices in the new season.
“Inspite of the reports of major crop loss in the US due to cyclones, crop size there is still expected to be large. Other countries are also expected to harvest a bumper crop. Therefore, cotton prices are likely to witness a depressing trend,” added Mirani.

ICAI too has predicted uncertain cotton prices for the year 2017-18. The benchmark Cotlook A index is likely to hover around 69 cents/lb during the year. Currently, global cotton prices started lower trend on robust global crop. The prices started falling from 74.88 cents on September 5 to 68.31 cents per pound on October 2.

On the domestic spot market at Rajkot, cotton prices have corrected by about ₹1,200 per bales within a month to quote at ₹18,902 per bale on September 29, as against ₹20,293 per bale on August 31.

However, Mirani added that in order to meet any eventuality of cotton prices going below the MSP level due to bumper crop expected this year, the government agencies are geared up to undertake support price operations so as to eliminate the possibility, if any, of distress sales by farmers.

Source: thehindubusinessline.com- Oct 03, 2017

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Pvt cargo handlers can shift to new rate structure

Private firms running cargo terminals at central government-owned major port trusts will have the option of migrating to a new liberal, market-driven rate structure finalised by the government in 2013.

The older cargo handlers were excluded earlier. They currently operate under a restrictive rate regime finalised in 2005.

The migration option, though, will be contingent upon the existing PPP operators offering their terminals for re-bidding in which they will have a so-called right of first refusal (RoFR) to match the highest revenue share quoted and continue running the terminals for the balance period of their 30-year concession.
“It’s official now. We have issued instructions to major port trusts to give an option to the BOT operators falling under the 2005 rate guidelines to move to the 2013 rate guidelines through re-bidding,” a spokesman for the Shipping Ministry told BusinessLine.

The framework including the terms and conditions for the shift to a de-regulated regime is being finalised, the spokesman added.

The decision to allow a shift comes as the Ministry and older PPP cargo handlers — some operating for more than 15 years — have been locked in a legal battle on migration.

The 2013 rate regime guarantees a raise of as much as 15 per cent on the base reference or ceiling rate (set upfront at the beginning of the contract) during each year of the 30-year contract if the terminal operator complies with certain performance standards. The PPP operators would also be entitled to a further hike every year to account for rising prices because the base rates are indexed to the WPI to the extent of 60 per cent.

In comparison, the 2005 guideline penalises operators for efficiency. If a terminal loads more than the projected volumes in a tariff cycle, its rate will be cut in the next tariff cycle. Adopting this rule, TAMP has ordered rate cuts at many facilities, resulting in legal challenges that are languishing in courts for a decision.

**Logic for re-bids**

“Migration to the new tariff regime will result in doubling of revenue to PPP port operators. There can’t be a free ride.

The benefit accruing from migration to the 2013 norms should be shared with the government-owned ports. And, the best way to discover the quantum of benefit to be shared is the market (through re-bidding).

Let the market decide what should be shared,” the Ministry spokesman said explaining the rationale to re-bid the terminals as a key condition for migration.
The terminal operators, though, are against putting up their terminals for re-bidding, arguing that the government also stood to gain from the higher rates and the consequent jump in revenue as the government’s share of the revenue from these terminals will increase even on the existing contractually-mandated percentage that the terminals have to share from gross revenues every year.

Former Finance Minister P Chidambaram underscored this point while arguing the case for the Indian Private Ports and Terminals Association (IPPTA) in the Delhi High court. The next hearing on the case is slated for October 25.

Besides, they are wary of rivals quoting astronomical revenue share which they will find difficult to match in order to continue running their facilities. “Rivals could use this tactic to create unfair competition and de-rail the process,” said a port industry executive.

Allowing migration, according to the Ministry, will instill confidence among private investors and improve investor sentiment at a time when the government is planning to bid out several thousand crores worth of port modernisation and expansion projects.

Regulatory concerns have halted private investments at major ports.

Source: thehindubusinessline.com- Oct 03, 2017

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