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IBTEX No. 115 of 2018 June 04, 2018

USD 67.02| EUR 78.36 | GBP 89.62 | JPY 0.61

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20987	43900	**83.50**
Domestic Futures Price (Ex. Gin), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22360	46772	**88.96**

International Futures Price	
NY ICE USD Cents/lb (July 2018)	93.30
ZCE Cotton: Yuan/MT (Jan 2019)	18,690
ZCE Cotton: USD Cents/lb	**112.24**
Cotlook A Index – Physical	**100.7**

Cotton guide: One of the major points that is going under discussion is the drought situation in Texas region of US. This could have severe impact on Cotton supply across the global market especially during August to October. As per weather forecast of first fifteen days of June indicates no signs of rain rather the region will witness excessive heat temperature. As per the government's climate report the South Texas is likely to witness “La Canicula" which means severe high temperature and dry weather across region for next few days. We think if this sort of situation emerges then the cotton supply this year from the US will be challenged. Needless to talk more here on the export front which might result to lower the ending stocks in the current year.

We think the above factor might keep the cotton price under stress and supply disruption may elevate the price onto higher side.

On the other side of the world China's Xinjiang's region face extremely cold weather, hailstorm and excessive rainfall. China is facing such issues after several years and high probability of losing crop by few million bales in 2018-19. As per market source and estimates approximately 2 million bales of crop could be damaged.

In the West Cotton is facing drought condition and in East excessive rainfall. The ramification of both regions in the world would be alarming and overall world supply could be lowered. This may keep cotton price on the higher tone.

On the ICE trading front the both volumes and open interests have increased considerably. In the meanwhile, trade participation in options contract at ICE has also risen with fresh participation. One of the major reason for active participation in option is because of excessive margin needed for trading at ICE. The exchange has increased the cost of margin for trading in both futures and options as the implied volatility has surged to multiyear high. Hence participants are moving their positions more into options than future driving latter substantially higher. We think cotton price to remain onto positive trajectory as long as it is holding above 90 cents and potential to hit 1 USD a cent is in the offing.

Coming to domestic market cotton price in India has surged in last one month to near Rs. 43000 per candy ex-gin due to higher demand, good exports and lower arrivals. We think market will remain positive in the near term. The new crop sowing is now the major point of discussion while believe as the rain progresses into June more clarity would be felt. Overall physical cotton price is expected to remain positive.

On the futures front the June contract at MCX ended at Rs.22350 per bale and expect it to trade in the range of Rs. 22200 to Rs. 22550 per bale.

Indian rupee appreciated by 0.2% to trade near 66.9 levels against the US dollar. Indian rupee has witnessed sharp recovery from recent lows amid correction in crude oil price. NYMEX crude has plunged almost 10% from recent high on prospect of higher OPEC supply. The US dollar index has also turned choppy as upbeat non-farm payrolls data is countered by trade uncertainty. Rupee may witness choppy trade but appreciation is likely amid general weaker outlook for crude oil. USDINR may trade in a range of 66.75-67.15 and bias may be on the downside..

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

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

Indicative Prices of Cotton Yarn in China Date: 2/06/2018	***Prices in US$ FOB***	
Country	**20s Carded**	**30s Carded**
India	2.80	3.10
Indonesia	2.56	2.85
Pakistan	2.44	2.82
Turkey	3.10	3.30
Source: CCF Group		

China yarn

Cotton yarn kept hiking this week, yet downstream plants showed reluctant to accept the hike. Polyester yarn inched down due to weak virgin PSF, while rayon yarn still rose. Polyester/cotton yarn and cotton/rayon yarn rose while polyester/rayon yarn was stable..

International yarn

Local and export demand for cotton yarn has improved somewhat in Pakistan, as downstream manufacturers fear further price rises. Yarn stocks have been accumulating in Bangladesh, in face of poor demand. Spinners in Turkey were hopeful that higher raw replacement costs will be reflected in yarn selling rates.

However, some open-end mills intended to reduce operation on poor demand. The value of textiles exports from Uzbekistan rose considerably during the first four months of 2018. China was the destination for over half of short staple spindles shipped in 2017, according to ITMF. The global total showed a year-on-year increase of 10 percent.

Source: CCF Group

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INTERNATIONAL NEWS

China cuts import tariff on clothing to 7.1% from July 1

Effective July 1, 2018, the Government of China will reduce average tariff rate for clothing, shoes and hats, kitchenware, and sports and fitness supplies from 15.9 per cent to 7.1 per cent. Indicating further cut in future, Premier Li Keqiang said at an executive meeting of the State Council, "China's door will only open wider and wider."

The progress that China has made over the past 40 years shows that continuous opening-up has boosted reform and development, which must be unswervingly implemented, said Keqiang, according to the website of the State Council.

"The tariff cuts contribute not only to expanding opening-up but also meeting the growing demands of the people and promoting quality production and industrial upgrading," he added.

Besides clothing, import tariffs would also be cut on several daily necessity items like home appliances (washing machines and refrigerators); cultured and fished aquatic products and processed food; detergents, cosmetics such as skin care and hair care products; a statement released after the meeting said.

Keqiang had given indication for tariff cuts on some daily consumer goods while delivering the Government Work Report this March. He has spoken about balanced development of trade by opening the domestic market wider and offering more choices for Chinese consumers.

Lowing tariffs on daily consumer goods is a choice China made on its own, said Keqiang at the State Council executive meeting.

Amid complicated international situations and the rise of protectionism, China actively expands its imports, he said. "It demonstrates the country's determination and confidence in further opening-up. It is beneficial to both China and the world at large."

According to the Premier, China still has a long way to go to realize modernisation. He called on related departments to implement concrete measures to cut tariffs and prevent price increases and profit gains in intermediate links and to enable consumers to get real benefits.

Source: fibre2fashion.com- June 02, 2018

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China bans non-textile companies from buying cotton from state reserves this year

China will from Monday ban non-textile companies from buying cotton from 2017/18 state reserve auctions, the country's cotton industry website cottonchina.org said on the weekend.

* Companies not using cotton to make textiles will be disqualified from buying from state reserves from now on this year, according to a statement released on the industry website.

* Textile companies can only buy cotton from state reserves for their own use and are banned from reselling, the statement said.

Source: reuters.com- June 04, 2018

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US textile buyers diversifying their sourcing base

For the past many years, two of the biggest global textile buyers, US and European, have been following the China + 1 or China + many sourcing strategies. Among these +1 or +many would be Asian countries, viz., Bangladesh, Vietnam, India, Sri Lanka.

However, recent OTEXA statistics reveal even though US imports from these countries remain the highest they have not clocked in the highest growth rates. Rather imports have enhanced from Turkey, Myanmar, Cambodia, AGOA countries for mass apparel as well as from Italy, France, and Spain. The reason for this is the consumers' growing thrust on high value clothing rather than mass produced low end commodities.

China’s dominance stays

US apparel imports from China from January-March 2018, at $5802.021 million, were 0.87 per cent higher than in the same period of 2017. In volume terms, Chinese exports to the US amounted to 2482.089 million SME, an increase of 3.74 per cent during the period under review.

In 2017, China’s apparel exports to the US fell 3.17 per cent to $27030.289 million, which was still 33.67 per cent of total apparel imports of the US in terms of value, and 42 per cent in volume.

In the first three months of 2018, China’s share remains the highest, but the share seems to be on downfall. In value, China's share in US apparel imports was 30.17 per cent, and in volume, 38 per cent.

If experts are to be believed, Chinese imports are set to fall further owing to ongoing tariff and trade wars. Having said that even after an overall 25 per cent tariff increase by the US on imports of Chinese apparel, China will still be far more competitive than its counterparts. Vietnam, Indonesia and India will still remain costly affairs barring Bangladesh, which is set to boost the country’s exports in near term.

Other countries’ share

Vietnam is the second largest apparel supplier to the US. Apparel inports from Vietnam during January-March 2018 were $2858.357 million, an increase of 3.32 per cent compared to the same period in 2017. The US imported garments worth $1356.166 million from Bangladesh during January-March 2018, a drop of 0.92 per cent.

In 2017, imports from Bangladesh were down by 4.46 per cent. The fourth largest supplier to the US market, Indonesia, has fell further 5.78 per cent to $1149.891 million. In 2017, imports were Indonesia were down 3 per cent. While India’s share remained stagnant.

During January-March 2018, US imports of apparel from India at $1036.066 million, were marginally lower by 0.79 per cent, compared to CPLY. In 2017, India’s apparel exports to the US registered an increase of 1.17 per cent.

Emerging sourcing destinations

Latest statistics indicate Cambodia can emerge as an important apparel sourcing destination for the US. While it offers the lowest prices, it does not have the capacities to match the demand of the US buyers. US imports from Cambodia went up 12.52 per cent to $587.715 million. In volume terms too, imports registered a similar increase of 12.75 per cent to 262.845 million SME. US imports from Myanmar are quite negligible but growing at a fast pace.

During January-March 2018, US apparel imports from Myanmar amounted to $33.785 million. Moreover, there has been an increased sourcing pattern from Turkey over the years.

During January-March, US apparel imports from Turkey at $147.996 million were 21.75 per cent higher than in the CPLY. In 2017, the US imported apparel worth US$ 526.546 million from Turkey, which were 11.51 per cent higher than in 2016.

Egypt also indicated high demand. During January-Marcy 2018, imports from Egypt were up 15.78 per cent, to $203.355. In 2017, imports from Egypt at $726.547 climbed 5.13 per cent compared to 2016. Imports from Italy rose 20.52 per cent during the first three months of 2018.

Imports from France recorded a growth of 11.24 per cent, to $41.756 million. Top exporting countries from AGOA include: Kenya, Lesotho, Madagascar, Mauritania, Morocco, Ethiopia and Tanzania.

While most of these countries registered double-digit export growth to the US this year, Ethiopia's apparel exports grew 101.58 per cent during January-March 2018. US buyers imported apparel worth $21.955 million from Ethiopia.

Source: fashionatingworld.com- June 04, 2018

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Global trade spat puts factories, recovery at risk

Eurozone factory growth slowed to a 15-month low in May

Factory growth in major manufacturing hubs showed signs of cooling last month as companies braced for potential damage from rising global trade tensions while also grappling with accelerating inflation and a strong dollar.

U.S. President Donald Trump's moves to slap tariffs on some of the country's most important trading partners have rattled financial markets, and many are now fretting about the potential threat to what is now mostly synchronised world growth.

Stocks rose and bond yields fell on Friday as investors welcomed an apparent end to a political crisis in Italy but prospects for a full-blown trade war put a dampener on gains.

"The uncertainty about future trade and Trump's contempt for international rules can deal a significant blow to business confidence especially in trade-oriented nations," said Holger Schmieding, chief economist at Berenberg.

That danger was made all the more real on Thursday when the U.S. and its key allies announced tit-for-tat tariffs.

A U.S. trade delegation was in Beijing over the weekend for a third round of talks between the two countries in the last month after Washington said it would slap tariffs on $50 billion of Chinese imports. The risk is that a full-blown Sino-U.S. trade war will ripple through global supply chains, hurting economies from Europe to Mexico through to Australia and Japan.

Europe losing steam

Eurozone factory growth stayed strong but slowed to a 15-month low in May, hampered by extra holidays, and forward-looking indicators suggest it will at best remain subdued in coming months, a business survey showed.

Higher prices appear to have hurt demand and IHS Markit's May final manufacturing Purchasing Managers' Index for the bloc slipped for a fifth month, falling to a 15-month low of 55.5 from April's 56.2, in line with a flash reading.

Anything over 50 indicates growth.

German factory growth was also at a 15-month low and French manufacturing activity picked up less than expected, highlighting a more uncertain trade outlook. British manufacturers bucked the global trend in May and picked up speed for the first time in six months. But the slight improvement masked underlying weakness among the country's factories.

Chinese manufacturing, meanwhile, has grown steadily so far this year. The Caixin/Markit Manufacturing PMI was unchanged at 51.1 in May, although new export orders fell for a second straight month.

"Forthcoming trade tensions could put pressure on trade and related supply chain activities ... We believe that investment decisions in potentially affected industries have been delayed," ING China economist Iris Pang said in a note.

The Markit/Nikkei Japan Manufacturing PMI fell to a seven-month low of 52.8 for May, with domestic business growth slowing and only a modest pick up seen in export orders.

Corporate capital expenditure in Japan rose at a slower pace in the first quarter compared with the previous one, a separate report showed. Further stress on exports is likely to restrain any rebound from an economic contraction at the start of the year.

South Korea, another major export hub, reported strong shipment growth in May. But a factory survey found activity contracted for a third straight month as new orders continued to decline, prompting companies to cut staff at the fastest pace in almost a decade.

Rates still set to rise

Higher oil prices and a rising dollar have hammered currencies of late, with trade friction and heightened geopolitical uncertainties around North Korea, Iran and Italy adding to pressure.

Economies are seeing inflation flare up while currencies have taken a hit, raising expectations for interest rate hikes. The European Central Bank will finish its stimulus programme by the end of 2018, according to a Reuters poll of economists last month, although almost half of those surveyed said it was not in control of inflation, which had remained stubbornly below target.

But prices in the bloc rose a faster-than-expected 1.9% last month from a year earlier, official data showed on Thursday, pretty much spot on the ECB's target.

Source: thehindu.com- June 03, 2018

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Turkey: Exports to Russia up over 60 pct in first 5 months

Turkey's exports to Russia reached $1.4 billion in the first five months of this year with an increase of 61.4 percent compared to the same period last year. This significant increase was led by the fresh fruits and vegetables sector, having almost doubled its foreign sales in the said period.

According to information compiled from the Turkish Exporters' Assembly (TİM), exports to Russia rose from $872.9 million in the January-May period of 2017 to $1.4 billion.

The resolution of diplomatic problems having emerged between the two countries in late 2015, as well as the positive developments in commercial relations was effective in the 61.4 percent increase in exports.In the first five months of the year, the fresh fruits and vegetables sector ranked first with $263.6 million in terms of the size of exports to Russia, followed by the automotive industry with $195.9 million.

The exports of fresh fruits and vegetables managed to increase exports from $123.7 million last year, achieving an increase of $139.9 million. Thus, the sector almost doubled its exports.

During this period, $156.5 million of chemicals and chemical products, $117.4 million of ready-to-wear and apparel, $110.2 million of leather and leather products and $109.2 million of machinery parts and orders were exported to Russia. Thus, the exports of six sectors to Russia exceeded $100 million in the first five months.

In the January-May period of this year, 27 sectors exported products to Russia, 22 of which were able to increase exports compared to the previous year.

Meanwhile tobacco, other industrial products, jewelry, fisheries and livestock, and steel were listed as the sectors that decreased in exports compared to the same period last year.

While the fastest decline was experienced by tobacco with 75.5 percent, the sector's exports dropped from $3.6 million in the January-May period last year to $950,000.

In the export decline, tobacco was followed by other industrial products with 73.6 percent, jewelry with 27.5 percent, fisheries and livestock with 16.5 percent and the steel sector with 16.5 percent.

In the said period, ship and yacht led the exports to Russia, rising from $27,000 in the five months of last year to $520,000 with a 19-fold increase.

In export growth, the ship and yacht sector was followed by ornamental plants and products with 288.3 percent, carpets with 234.5 percent, textiles with 217.4 percent and olives and olive oil with 157.6 percent.

In the quantitative increase in exports, the automotive industry came second with $81.1 million after fresh fruits and vegetables, followed by textile and raw materials with $53.5 million.

Source: dailysabah.com - June 04, 2018

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Major brands fail to join Bangladesh factory safety accord

The new pact is a three-year extension of the Bangladesh Accord, a legally-binding agreement between global brands and trade unions drawn up after the Rana Plaza collapse, one of the worst industrial accidents in modern history.

It established a fire and safety programme for the country's $28 billion a year textile industry, which employs about 4 million people.

So far 175 of the 220 companies in the original accord have signed, but high-profile brands including Abercrombie & Fitch, Combs' Sean John apparel and Britain's Edinburgh Woollen Mill have not, the Clean Clothes Campaign said.

"(They) are doing themselves and their customers a disservice and are knowingly putting the lives of the workers producing for them at risk," said Christie Miedema of the Campaign, which lobbies to improve workers' conditions.

More than 1,100 people were killed when the Rana Plaza factory complex collapsed in 2013, sparking outrage over poor working conditions in the garment sector.

Since then Western brands that manufacture in Bangladesh have been under pressure to do more to ensure worker safety.

Sean John did not respond to requests for comment and the Edinburgh Woollen Mill was not reachable.

Abercrombie said it was reviewing the 2018 accord, while IKEA said it had chosen to focus on its own safety audit programme IWAY rather than signing up.

Unlike the original accord, which expired on Thursday, the new one is open to non-garment companies like IKEA that produce home fabrics and textiles.

Campaigners have urged them to sign up, arguing that other schemes such as IWAY lack transparency because they do not make inspection findings and reports public.

"We operate on a highly competitive market, and for competitive reasons we don't hand out a list of our suppliers in Bangladesh or any other country," IKEA told the Thomson Reuters Foundation in an emailed statement.

Bangladesh, which ranks behind only China as a supplier of clothes to Western countries, relies on the garment industry for more than 80 per cent of its exports.

Source: thedailystar.net- June 02, 2018

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Pakistan: Textile industry in Pakistan an open example of resistance economy

The textile industry in Pakistan is the largest manufacturing industry in the country and no doubt it is an explicit example of resistance economy.

For years, the textile sector has been the country's backbone as it provides employment and export revenues.

The textile sector in Pakistan contributes 57% to the country's exports. The textile industry is the second largest employment sector in Pakistan.

Pakistan is the 8th largest exporter of textile commodities in Asia and textile sector contributes 8.5% to the GDP of Pakistan.

It is pertinent to mention that the exports of textile products posted a growth of 12.8 per cent year-on-year to $4.4 billion in 2017-18.

The total textile sector exports reached $7.72bn value-wise in July-January 2018 versus $7.2bn in the corresponding period of last year, reflecting an increase of 7.18 pc

In the 1950s, textile manufacturing emerged as a central part of Pakistan's industrialization, shortly following independence from the British rule in South Asia. In 1974, the Pakistan government established the Cotton Export Corporation of Pakistan (CEC).

Between 1947 and 2000, the number of textile mills in Pakistan increased from 3 to 600. In the same time spindles increased from 177,000 to 805 million.

Cotton spinning is perhaps the most important segment in the Pakistan textile industry with 521 units installed and operational, says a report by IRNA news agency.

Synthetic fibers prepared with nylon, polyester, acrylic, and polyolefin dominate the market.

Three types of filament yarn are also produced in Pakistan. These are acetate rayon yarn, polyester filament yarn, and nylon filament yarn.

Textile products manufactured from wool are also famous across the country and they include woolen yarn, acrylic yarn, fabrics, shawls, blankets, and carpets.

Artificial silk is also produced in Pakistan. This fiber resembles silk but costs less to produce. There are about 90,000 looms in the country.

There are many famous clothing brands in Pakistan who use locally produced fabrics due to its high quality.

According to consumers the fabric produced in Pakistan is high in quality as compared to fabric produced in other countries.

In recent years, Pakistan has faced competition from regional players including Bangladesh, India and Vietnam.

Pakistan is currently facing a large-scale energy crisis. The government manages the deficit through daily power cuts (or blackouts). These power cuts have significantly impacted manufacturing industries in Pakistan.

Source: nation.com.pk- June 03, 2018

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Bangladeshi exports to Japan to cross $1-billion

Bangladeshi garment exports to Japan grew by 1.94 percent to $445.99 million in July-January in 2017-2018 fiscal year and is expected to cross $1-billion mark at the end of the year.

The country exported around 40 items to Japan including T-shirts, jersey pullovers, shirts, baby garments etc. Currently, the country exports mostly basic items but there is a huge opportunity to export fancy, fashionable and high value added items.

The Bangladeshi exporters have benefitted by special incentives of the government as nontraditional market. Japanese buyers are very strict in terms of quality and production process. They insist on 100% quality inspection of the goods where rest of the buyers is following AQL for quality auditing. On the other hand, they are also very cooperative.

If manufacturer faces any problem and can explain logically, they not only understand it but also try to support the factory to overcome the issue. They consider the supplier and business as their partners and believe in mutual growth and development.

Source: fashionatingworld.com- June 02, 2018

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NATIONAL NEWS

Meet to settle US trade tiffs

India is expected to take up the issues of import duty hike on certain steel and aluminium items, visa restrictions and energy co-operation with the US during the five-day visit of commerce minister Suresh Prabhu to Washington from June 20.

KEY ISSUES

- Exemption from US steel and aluminium levies
- US subsidies in farm and renewable energy
- Tightening visa curbs
- Indian items under US's preferential import plan
- Greater sourcing of US oil and gas

Prabhu in his meetings with the US Trade Representative (USTR) and American commerce secretary Wilbur Ross will put forward India's views on contentious issues, including the duties on metals.

US President Donald Trump has imposed steep tariffs on imported steel and aluminium, sparking fears of a global trade war.

Trump signed two proclamations that levied a 25 per cent tariff on steel and a 10 per cent tariff on aluminium imported from all countries.

While India has been making efforts to persuade the US to exempt the country from the duty on steel and aluminium or view New Delhi's export subsidies in a proper context, they have not yet yielded results.

Officials are hopeful that there could be some breakthrough during Prabhu's visit as the talks at the highest level could help the two countries understand each others' concerns.

Both the sides have dragged each other to the WTO in recent months. The US has lodged complaints against India's export and farm subsidies, while New Delhi has raised objections to duties on Indian steel and aluminium and massive illegal subsidies in the renewable energy and agriculture sectors.

Rising US crude oil production and its availability for exports have already benefited a few Indian refiners. In the coming years, sourcing of oil and natural gas from the US is a possibility as steps are being taken to reduce India's over-dependence on West Asia for oil and gas imports.

India has repeatedly raised its concerns over tightening visa restrictions by the US on IT professionals.

The proposed overhaul of the popular H-1B visa regime by the US President has raised concerns among Indian IT firms as any changes in the visa regime may result in higher operational costs and shortage of skilled workers for the $110-billion Indian outsourcing industry.

During the talks, Prabhu will also take up the issue of speedy renewal of the generalised system of preferences scheme (GSP) - the preferential import tax scheme that allows market access at nil or low duties to about 3,500 Indian products, including chemicals and textiles.

Source: telegraphindia.com- June 04, 2018

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Apparel exporters in a fix as customs seeks old records

Apparel exporters in the Tirupur cluster have been directed by customs officials in VO Chidambaranar Port in Tuticorin to submit records of exports done by them since 2004.

Exporters, however, said it was not practical to maintain records for such long time in the less computerized era. “This move can strangulate the industry. Because the customs department can cancel Importers Exporters (IE) Code, if exporters fail to submit the records,” they said.

Units in the district have been exporting apparels to various western countries. The knitwear exports recorded Rs 23,000 crore in the last financial year, which is Rs 3,000 crore less than the previous financial year. The goods would be transited mostly through ports in Tuticorin, Kochi and Chennai, and sometimes through airports in Coimbatore and Chennai.

In order to encourage exports, the Union government had introduced duty drawback and other incentives, at certain rates in accordance with the value of the exported goods. It was mandatory to exporters to submit shipping bills in banks and obtain Bill Realisation Certificate (BRC), which showed that a exporter had received the payment as per the bill from a foreign buyer.

Due to various reasons, the partial or full payment would not have happened, and during which the exporters should submit documents validating the reasons behind the issue.

Since 2014, the Reserve Bank of India has automated the system. If exporters did not submit BRC or close the shipping bills within two years, they will be placed on a caution list.

These data will be uploaded online by banks under the Export Data Processing and Monitoring System (EDPMS), and the violators could even be stripped of their IE code. The measure was taken as exporters were found to have involved in fraud to receive duty drawback

For submission of records of exports done till December 2015, RBI has extended time for one year till December 2018.

Amid this, customs officials from Tuticorin port have sent an alert to exporters asking them to submit records of the exports done since 2004.

“The BJP-led central government has promised to ease business doing, but this kind of move will strangulate the export business. It could have happened due to misinterpretation. But it would be a herculean task for the knitwear units to get the export records for about 15 years.

Only recently, many companies have switched to the computerized system of bookkeeping from manual and hard copies. So the customs department should revoke the order,” said president of Tirupur Exporters’ Association Raja M Shanmugham.

Source: timesofindia.com- June 04, 2018

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Relaxation in cabotage law to benefit Indian ports

The Centre' move to relax cabotage law may be a 'game changer and transform India's ports into a major transhipment hub,' according to Mumbai and Nhava Sheva Ship Agents Association (MANSA).

On May 21, the Shipping Ministry issued a notification lifting restrictions on foreign registered vessels on transportation of loaded or empty containers between Indian ports. Earlier, it was the prerogative of Indian registered shipping lines that paid taxes and were governed by Indian laws.

Commenting on the development, Captain Vivek Singh Anand, president, MANSA, said, "Apart from creating a level-playing field, reduction in freight rates and making Indian trade more competitive, the move would allow coastal movement of export, import/ empty containers by foreign vessels leading to healthy competition among shipping lines,"

'Positive impact'

He said Indian ports can now attract cargo originating from or destined to foreign ports, leading to cargo growth in India. "This move would also have a positive impact on the competitiveness of the Indian traders and manufacturers by reducing the supply chain lag time and transhipment cost at a foreign port," he said.

According to MANSA the relaxation in cabotage law would also address the problem of empty containers getting accumulated at some Indian port while other ports facing a shortage of empty containers.

"As a result, the additional cost of repositioning of these empty containers to deficit port(s) across the Indian coast would be reduced substantially with foreign vessels now being allowed to pick up such containers.

The issue of empty containers was an outcome of uneven growth in containerised cargo resulting from the imbalance in exports and import," MANSA chief said.

Source: thehindu.com- June 03, 2018

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Sowing Problems: Don't saddle private sector with the MSP burden

MSP is a flawed policy and make sense only in case there is a backward link via government procurement as is the case with rice and wheat that are key to PDS and buffer stock operations.

The idea of making MSP (Minimum Support Price) work by forcing private players to buy the crop at this price is a bad one. There have been signals recently that the cotton MSP may become the price at which mills will have to buy the crop. Hence, instead of the government bearing the cost—as happens with public procurement of rice and wheat—the burden could be transferred to yarn/textile mills.

The logic can then be extended to pulses where mills can be made to buy pulses at the MSP in case market prices come down due to surplus production. The same can also hold for oilseeds where the edible oil manufacturers will be forced to buy oilseeds at MSP. Therefore, we need to have some debate on the issue and reach a consensus.

Today, sugar is probably the most controversial crop, and for historical reasons. Farmers grow indiscriminate volumes of cane that is deleterious for the soil as it is a water-guzzler; this has resulted in the water table getting depleted in cane-growing regions. Mills have to then pay a predetermined price for the crop. In fact, farmers have to sell to mills in the prescribed region, given there are restrictions on the distance between two mills.

There was a time when there was a statutory minimum price (SMP) that has been since replaced by a Union-government-determined fair and remunerative price (FRP). States have their own State Advisory Prices (SAP); forcing mills to procure at SAP, which tends to be higher than the FRP as every government tries to score brownie points with the farmers, has become the norm. This is a legacy issue that should have become irrelevant in a market-driven world.

Now, curiously, the price of sugar is determined by the market, and the high production of cane leads to fall in prices. But, farmers have to be paid the SAP or FRP, and mills cannot honour this commitment unless they are able to sell the sugar in the market at price that offsets the SAP/FRP. This is the core problem facing the sugar industry where such mismatch has led to the build-up of large arrears that are due to farmers; mills also have had to borrow to honour these contracts when they are unable to sell sugar at remunerative prices.

Needless to say, cane arrears/pricing has become a political issue. By only setting the rules and coming in the way of the market forces, successive governments have distorted the dynamics of the sugar industry over the years. Besides, there are always rules on what can be exported or imported keeping in mind the price and supply dynamics. In short, there are perennial problems for the industry, in case of both under- and over-production.

Now, if similar administered pricing is to be applied for cotton, the yarn/textiles industry that is already besieged with a different set of challenges would find itself on a sticky wicket. It will no longer be able to fine-tune costs side if MSP becomes mandatory.

Textiles and related products account for around 12% of exports, and artificially higher cotton prices could make them less competitive. Further, to ensure that the MSP is paid, the government will have to necessarily tweak trade policy because the MSP regime will not be effective in case companies import cotton at a lower cost. This will affect the competitiveness of industry, considering that the entire textile chain in an important component of our exports.

MSP is a flawed policy and make sense only in case there is a backward link via government procurement as is the case with rice and wheat that are key to PDS and buffer stock operations. Imposition of MSP beyond these is market distorting as it severs the link between prices and demand-supply.

This can, at times, be inflationary, and out of sync with the physical market dynamics. If inflation is high, then it affects monetary policy even though it is admitted that interest rates cannot bring down the prices of farm products.

RBI has highlighted the announcement of higher MSPs as being one of the major risk factors this year for inflation. This is significant as the government has spoken of providing a mark-up of 50% on cost for all products when deciding on the MSPs for FY19. Ideally, any such support should be through the DBT system and not through price interventions.

A thought here is that the government is actually intervening in the agri-markets to protect the interest of farmers. This is a step back towards the immediate years after Independence when farming was vulnerable. A better way out is to actually make use of hedging offered via commodity exchanges. To begin with, farmers must be allowed to have the entire array of commodities available on futures trading platforms. At present, farmers look at the prices earned in the previous cropping season and base the current year's sowing decisions on this.

This is backward-looking, with static expectations. If pulses yielded high prices in 2015, they grew more tur and urad in the subsequent years. This led to overproduction, and prices fell sharply in 2016 and 2017. Had the option of futures trading been available, they could have chosen their crop based on futures prices and escaped the price-crash. In fact, crop switching is possible where the soil is amenable to growing different crops in case the price advantage is known and the crop sold before sowing. Companies dealing with commodities also need to look actively at these markets.

In the case of sugar, if all the mills hedged part of their output on, say, NCDEX where there are active contracts, then the risk of falling prices would have been mitigated. For this to be effective, there is the requirement of long-term contracts in all these products. At present, futures trading tends to be vibrant in the near month and probably in the month after, followed by the far month. Longer term contracts, of 6-12 months duration, would also factor in any global signals picked up on other international markets—global sugar price trends affect domestic prices and could thus get imbibed.

The government should ideally look for market-based solutions to the problem of prices in the agri-commodities market. Intervening through price guidance not only distorts the market but is very myopic in nature. Creating a solid structure where farmers and companies deal on commodity futures platforms to hedge the price risk is the perfect solution and the effort must be on deepening these markets. This will be a win-win solution and the constant concerns that keep governments worried about whether the farmer is realising remunerative prices and whether the consumer is paying a comfortable price is answered by the markets.

Source: financialexpress.com- June 04, 2018

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It's time the govt took a serious look at economy

The World Bank in its draft World Development Report 2019 said in India the formal sector or industry pays twice as much as in the informal sector.

After completing four years, the Narendra Modi government should finally take a serious look at the economy. Though the latest GDP growth figure of 7.7 per cent sounds good, one wonders if it can undo the damage inflicted. It has so far taken the route by bluffing to present a false rosy picture to the public.

Thus, soon after taking over, the government came out with a new set of growth figures that elevated GDP growth figures by around two per cent by shifting the parameters. These inflated growth rate figures made the economy seem better than it really was. Thus, a poor four to five per cent growth in the GDP looks more impressive when changed to six to seven per cent.

Now when the rate of job creation is important for voters, ways are being found to create an optimistic story, forgetting that for people seeking employment the ground reality is important and the job opportunities available not the statistics. A member of Prime Minister's Advisory Council Surjit Bhalla, who draws on a private database and government data, claims that job creation in 2017 was around 15 million.

He has been accused of "inventing" the employment data. The head of the Centre for Monitoring of Indian Economy (CMIE), Mahesh Vyas, has contended the economist distorts its nationwide employment survey to claim that India created 15 million jobs in 2017. Mr Vyas told a news organisation that the CMIE's survey for 2017 shows an overall employment growth of just 1.8 million.

While it is difficult to assess the conflicting claims of economists, a brief look at some economic parameters presents an alternative view. Much depends on the small-scale sector or the informal sector. This section of industry and services, with employment of less than 20 people, accounts for 84 per cent of all non-agricultural employment according to the International Labour Organisation, and contributes around 40 per cent of our exports.

The World Bank in its draft World Development Report 2019 said in India the formal sector or industry pays twice as much as in the informal sector. Besides this self-employment, informal wage work with no written contracts and protections, are low-productivity jobs. "Informal firms are run by uneducated owners, serve low-income consumers, and use little capital — informal firms add only 15 per cent of the value per employee of formal firms," the report added.

But people such as former chief statistician of India believe that enough jobs are not being created by the corporate sector and the construction sector, which has the potential to create a lot of jobs of largely unskilled people, is also in shambles. They have to tap the informal sector through a comprehensive survey to capture jobs being created there.

The fall in exports has hit labour-intensive areas like gems and jewellery, petroleum products, readymade garments and farm products, and pulled down India's overall exports by 0.6 per cent to $29.11 billion in March 2018. This has caused exporters to worry, as several sectors that have taken a hit are labour-intensive, which they say is due to liquidity problems partly due to the demonetisation and largely through faulty implementation of the GST.

While construction has increased and accounts for nearly one-third of the new jobs added in the Indian economy, the share of manufacturing has remained at 10 per cent. India's taxation regime may have harmed workers by subsidising investments in capital rather than in labour, whereas to create employment they should be replaced with labour subsidies. But this government is so much in thrall of big industry that it is unable to see where its long-term labour-creating and electoral interests lie.

Instead of stagnating at around 10 to 12 per cent of GDP or around $275 billion (versus the target announced in 2014 of total exports worth $900 billion by 2020), Indian exports could soar when the world is experiencing income and consumption growth, and there is no reason why we shouldn't win a larger share of the world trade.

If we focus on labour-intensive exports such as agriculture, textiles, footwear and tourism actively, and aggressively promote participation in global value chains and insist on large-scale job creation, we can capture a part of the growing market.

The Chinese consumer market also presents a large opportunity. Over the next five years, China promises to import $24 trillion of goods and services. It will hold the world's first mega import expo (yes, import expo!) in November.

The government's dubious stand on MGNREGA, which offered a living wage to poor agricultural families, is also deplorable. NREGA Sangharsh Morcha, an organisation agitating for the rights of workers covered under MGNREGA, has said in a letter how 99 per cent of MGNREGA wages have still not been paid in April 2018.

Given that the financial year has just begun, it's not the paucity of funds but the stringent regulations placed by the finance ministry that has squeezed funding. It indicates the government is keen to meet its fiscal deficit targets than to keep its promises made to the poor.

All this comes at a time when oil prices are rising. Between 2015 and 2017 crude oil prices fluctuated by $30 and $50 a barrel, down from over $100 a barrel. Instead of letting petrol and diesel prices drop, the government increased the excise duties three fold from `886 billion in 2013-14 (before being voted to power) to `2.58 trillion in 2018-19. This has been unusual sweet spot because the low oil prices led to the current account deficit falling to 0.7 per cent of GDP in 2016-17. In 2018-19, India's current account deficit can be 2.9 per cent of GDP.

At the same time the bonanza in excise duties helped keep the fiscal deficit under control. Now with the government's income falling with rising oil prices, the fiscal deficit will be more difficult to control.

Simultaneously, the current account deficit will go up. This will also be accompanied with a slow withdrawal of foreign investors from the equity market, putting strain on the rupee and on government finances. Not a good time for increasing jobs.

Source: asianage.com- June 04, 2018

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Tamil Nadu exempts e-way bill for textile & apparel jobwork

The government of Tamil Nadu has provided exemption from generation of e-way bill for jobwork and services relating to yarn, fabrics and garments.

Tiruppur Exporters Association (TEA) president Raja M Shanmugham has sent a letter to the state chief minister thanking him for clear understanding of Tiruppur knitwear business and conceding the request of TEA.

Tiruppur knitwear cluster has grown up to a level where it is producing ₹42,000 crore worth of garments annually because of the crucial support extended by the job working units, said Shanmugham in a press release.

He pointed out that before garment is packed, for preliminary processes like knitting, dyeing, compacting, embroidery, printing, checking, ironing and packing etc., the product is transported from one place to another for at least five to six occasions.

While noting down the future prospects of Tiruppur knitwear cluster and ease of doing business, he said the decision would help boost growth momentum for the Tiruppur cluster.

TEA has also sent letter of thanks to KC Veeramani, state minister of commercial taxes, and Dr. TV Somanathan, principal secretary/commissioner of state tax, for their support in the e-way bill exemption initiative.

Source: fibre2fashion.com - June 02, 2018

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Surat textile processors to meet Finance Minister over GST issues

The demands to be put forward includes the difficulty in procuring input tax credit refunds following the implementation of GST.

A delegation of the textile processing association of Gujarat and Maharashtra has decided to make representations before Union Finance Minister Piyush Goyal and Revenue secretary Hasmukh Adhia regarding Input Tax Credit accumulated since the day GST was implemented.

The powerloom and textile trading segment and textile processors approached Navsari BJP MP C R Patil to mediate the representations.

According to members of the delegation, the South Gujarat Textile Processors Association (SGPTA) will meet Goyal and Adhia on June 5, where issues related to the textile processing industry will be put forward. Maharashtra Textile Processing Association president Rajiv Jalan will also attend the meeting.

The demands to be put forward includes the difficulty in procuring input tax credit refunds following the implementation of GST.

The industry has contended that the form for securing tax credit, ITC 4, is difficult to understand. They have requested that the form be made simpler and have a reverse credit mechanism.

SGTPA president Jitu Vakhariya said, “Our input tax benefit has been pending since day one and it has accumulated into estimated hundreds of crores of rupees.

The processing industry is facing cash crunch and if such amount is released then it would benefit the industry.”

Source: indianexpress.com- June 03, 2018

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Banana fabric with U.V. resistance in the offing

KVIC to also promote honey processing and brass metal craft

The Khadi and Village Industries Commission (KVIC) is scripting innovative plans for the Tamil Nadu market with the belief that the State has potential in three key areas — bee keeping industry, brass metal carving and extracting banana fibre.

“Tamil Nadu is the hub for textiles as well as banana. We want to extract fibre from the banana plant and use it in the textile industry,” said G. Chandramouli, chairman, south zone, KVIC, an organisation of the Ministry of Micro, Small and Medium Enterprises (MSME). KVIC has entered into an agreement with SITRA (South Indian Textile Research Association), Coimbatore, to develop banana fabric and different blendings with silk and cotton.

“Relative higher tensile strength, 15.2% moisture regain (cotton has 8.5% moisture regain), thermal resistance, UV resistance and sound proof property of banana fibres in the form of fibres as well as nano-fibrillated cellulose films makes it promising products,” Mr. Chandramouli said.

In the bee keeping space, KVIC is proposing to start an exclusive “honey processing centre” with the help of the State government at Ooty to process the wild honey available at The Nilgiris.

Mr. Chandramouli said that awareness camps were being organised for the Kurumba community people who were professional raw honey hunters. “We have requested certain State governments to use honey in the midday meal schemes as honey can address malnutrition,” he said.

In Tamil Nadu, hill stations such as Ooty, Kodaikanal, Marthandam, Satyamangalam forest area and Madhumalai forest areas are some of the places where natural and wild honey is available.

Thanjavur brass metal carving art is another focus area for KVIC. “We have been doing this for several years now and have even implemented a cluster for development of brass craving,” said Mr. Chandramouli.

He said that Tamil Nadu was the only market for brass metal carving art and the export opportunity was vast in this space.

Fibre skin

KVIC had tied up with Chennai-based Central Leather Research Institute (CLRI).

“CLRI has developed a framework to use skin from chicken legs. We are exploring possibilities of how this can be used. We are studying models to tie up with shoe makers and leather makers for this venture,” Mr. Chandramouli said.

At present, KVIC has 451 sales outlets under Chennai Division and 250 outlets in the Madurai division and intends to scale this up in the coming years.

“We are looking at a franchisee model. Any entrepreneur who wants to start a business can approach us,” Mr. Chandramouli said.

Source: thehindu.com- June 03, 2018

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