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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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SD 68.86| EUR 77.69 | GBP 86.62 | JPY 0.64

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
21435	44800	**82.89**

Domestic Futures Price (Ex. Warehouse Rajkot), July

Rs./Bale	Rs./Candy	USD Cent/lb
21520	44977	**83.22**

International Futures Price

NY ICE USD Cents/lb (December 2019)	67.25
ZCE Cotton: Yuan/MT (September 2019)	13,775
ZCE Cotton: USD Cents/lb	90.80
Cotlook A Index – Physical	**78.35**

Cotton Guide: As is known now, the market is in a condition of going no-where. It is consolidated – range bound after it gained momentum since Monday Morning. The ICE December contract settled at 67.25 cents/lb with a change of -4 points. Yesterday, the trading range for it was around 1 cent with a high figure of 67.90 and a low figure of 66.81 cents/lb. The Volumes were touching the lower figures of 17,381 contracts. The market is finding it difficult to figure out good buyers which is either keeping the market consolidated or is driving the market a bit lower. Today ICE Futures market will be closed owing to Independence day Holiday in the United States of America. Therefore we will see the US Export sales data and on call reports not this evening but tomorrow.

The open interest (OI) inclined higher to 178,400 contracts by 2,654 contracts. The ICE December OI increased by 1688 contracts to 131,394 contracts.

The MCX contracts have behaved in a mysterious manner dropping one day and the next day emanating a good escalation without a good fundamental reason (with the exception of good rains). The MCX Contracts especially the MCX July contract settled high with a figure of +120 Rs at 21520 Rs/Bale. The other MCX contracts the MCX August & MCX October settled at 21,180 Rs/Bale and 20,480 Rs/bale with a change of +50 Rs and +20 Rs respectively. However the total volumes were miniscule at 1,250 lots. The OI at MCX is hovering around the 10,000 lot figure since the last 3 days.

The Cotlook Index A has been adjusted positively at 78.35 cents/lb with a change of +75 points. Whereas the cotlook Index A forward has been adjusted at 77.65 cents/lb with a change of +80 points. The prices of Shankar 6 are tilting downward at 44,800 Rs/Bale. Prices of J34 are at 4,790 Rs/maund. The imports enquiries have now ebbed in the domestic market, with mills buying hand to mouth now.

The Cabinet Committee on Economic Affairs has come forth with the approval of the Minimum Support Price (MSP) for all Kharif Crops for the marketing year 2019-2020. The approval has come, which has now raised cotton's MSP by 105 Rs/Quintal.

The lack of enthusiasm in the market has made the markets to be consolidated for the ICE contracts. For the MCX contracts we need to wait for more volumes to kick in to cite a trend. However, we expect the MCX Prices to hover towards the downside.

On the technical front, ICE Cotton futures continued to trade sideways as it failed to hold on the rally and witnessed decline towards 9 day EMA at 66.70 level. As shown in the charts price is still going nowhere and consolidating in the same range of 68-65. Meanwhile RSI in the daily charts has moved above the 50 level, suggesting sideways trend in the market. However, price need to sustain above the crucial resistance zone of 68-69, to move further higher towards 70-72 levels. Likewise, crucial support exists around 66.70, followed by 65.50 level. The trading range for MCX we presume is 21350-21650 Rs/Bale.

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

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INTERNATIONAL NEWS

U.S. Economy Expands, but Tariffs Wait in the Wings

With the United States entering into a historic economic expansion period, tariffs and the threat of more tariffs on Chinese imports could be the bump in the road to financial good times.

Retailers and manufacturers already are inching up prices on some merchandise after a 10 percent tariff on $200 billion in Chinese goods went into effect on top of existing tariffs last year.

In May, the Trump administration upped that 10 percent tariff to 25 percent, affecting hundreds of imports including textiles, luggage, handbags, toys and chemicals used to dye fabric.

Tariffs threatened on another $300 billion in goods, which would include apparel and footwear, is on the back burner after President Donald Trump and Chinese President Xi Jinping met recently in Japan and agreed to resume trade talks.

But the constant threat of tariffs on apparel has big U.S. clothing manufacturers worried about the economic wallop it could deliver to their companies.

That was brought home in June when representatives from Columbia Sportswear Company—with revenues of $2.8 billion in 2018—testified before the office of the U.S. Trade Representative that tariffs would be a burden on the 81-year-old company, headquartered in Portland, Ore.

"The products that we continue to manufacture in China are highly specialized and tied to significant investments that we have made in tooling, machinery and personnel training," said Katie Tangman, Columbia Sportswear's director of global customs and trade.

"We also own and operate a wholly owned subsidiary in China, which is one of our largest foreign markets with more than 700 retail locations throughout the country. Having local production helps us remain competitive in the local China market, which in turn supports U.S.-based innovation jobs."

Tangman noted that the cost to move the company's remaining operations out of China, purchase new machinery and train a new workforce would cost millions and take at least one year.

The threat of additional tariffs, she added, would give the company no choice but to either pass on the additional cost to consumers or curtail investment to cover the additional tariffs on top of current tariffs. "Some of Columbia's products are subject to import taxes as high as 37.5 percent," she said. "Adding a tariff of up to 25 percent on goods from China means that our import taxes would be as high as 62.5 percent, an untenable amount."

Full house

With higher tariffs going into effect last year, and more threatened, importers started bringing in goods before the tariffs went into effect. The result is that warehouses all around the Los Angeles area and the Inland Empire are filled to the gills with merchandise.

"There is less than 1 percent vacancy in the warehouses and logistics spaces located in the area," said Michael A. Smith, the director of international trade at the World Trade Center Los Angeles. "You have a huge glut in inventory from companies front-loading their imports and holding onto their supply."

Warehousing merchandise longer means companies' storage expenses are going up, which is another factor pushing up prices. And, with so many cargo ships to be unloaded at the ports, more containers are sitting on the docks longer, resulting in higher demurrage fees. For some companies, demurrage fees are adding up to $3,000 a container.

"It has been 15 months since this whole trade battle started, and I now feel the consumer more than ever is going to feel the burden of this," Smith said.

China is very important to the Port of Long Beach and the Port of Los Angeles, which account for receiving nearly half the seaborne trade between the United States and China.

China last year was the Port of Los Angeles' top trading partner, accounting for $203 billion in business. Way down on the list in second place was Japan, bringing in $49 billion in business.

Eugene Seroka, the Port of Los Angeles' executive director, said last month he fears "the prolonged presence of tariffs on trade with China may cause American businesses to source materials and goods from other countries, which may result in trade volumes shifting away from the U.S. West Coast and the Los Angeles trade gateway."

Long economic ride

Despite the constant threat of more tariffs on the horizon, the economy has continued to expand at a steady pace. The U.S. is now in its longest economic expansion, surpassing the previous record of 120 months of economic growth. "We just set the record," said Robert Kleinhenz, executive director of research at Beacon Economics in Los Angeles. "In general, economic conditions are looking good, whether it is on the national, state or local level."

The national unemployment rate is at 3.6 percent, which is the lowest it has been since the 1960s. California's 4.2 percent unemployment rate is also at a near record low.

The Federal Reserve's recent decision not to raise benchmark rates is pushing down mortgage rates, which have sunk to a 31-month low. As of June 27, 30-year mortgage rates were at 3.84 percent compared to 4.55 percent a year ago.

Despite lower mortgage rates, housing sales in Los Angeles County fell 2.9 percent in May compared to the same period last year.

"Lower interest rates haven't ignited the housing market, which is puzzling," said David Shulman, senior economist with the UCLA Anderson Forecast. "In the past, you would have seen a lot of activity. The housing market is still squishy."

The general consensus among economists is that the Federal Reserve will lower the benchmark interest rate two more times before the end of this year.

Source: apparelnews.net- July 03, 2019

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US Trade Gap Widens by More Than Forecast to Highest in 2019

The U.S. trade deficit widened by more than forecast to a five-month high as imports surged the most since 2015, illustrating how President Donald Trump's trade policies are weighing on the economy.

The gap increased 8.4% in May to $55.5 billion and April's level was bigger than previously reported, Commerce Department data showed Wednesday. The median estimate of economists surveyed by Bloomberg called for a deficit of $54 billion. Imports jumped 3.3% and exports rose 2%, the most in a year, while the goods- trade gap with China widened to $30.1 billion.

The report suggests net exports were on track to drag down the pace of expansion in the second quarter after giving a big boost in the prior period, though the monthly figures have been volatile thanks to tariffs. Chinese imports and exports both surged, potentially reflecting companies rushing shipments ahead of Trump's latest increase in levies announced in May.

The wider trade gap shows how policies including the tariff war between the U.S. and China continue to buffet U.S. business activity and growth, despite Trump's intent to shrink the deficit. A strong dollar and weaker expansion abroad are also weighing on exports, which were down from a year earlier, while consumer demand and front-loading of orders to avoid tariff deadlines have boosted imports.

Economists in a recent survey expected second-quarter growth to slow to a 1.8% annual pace from 3.1% in the first three months of the year, based on the median estimate.

A separate government report on Wednesday showed filings for U.S. unemployment benefits fell for the second time in three weeks, a sign the labor market is holding up before June jobs data are released later this week.

Xi meeting

After meeting with Chinese President Xi Jinping on Saturday, Trump said the U.S. and China would restart negotiations as he holds off from imposing tariffs on an additional $300 billion on goods from the Asian country, though existing levies remain.

The worldwide grounding of Boeing Co.'s 737 Max model continued to weigh on the U.S. economy.

While civilian aircraft exports rose to $3.1 billion in May, it's still the second-lowest monthly total since 2012, according to data compiled by Bloomberg.

Overall exports totaled $210.6 billion, reflecting gains in passenger cars, soybeans, capital goods and consumer goods. Imports were $266.2 billion, boosted by crude oil, autos, capital goods and consumer goods.

The unadjusted merchandise deficit with Mexico widened to a record $9.6 billion in May on an all-time high in imports.

Trump threatened tariffs against America's southern neighbor at the end of May, which may be reflected in June trade data as companies scrambled to front-load imports into the U.S. for about a week at the start of last month.

Get more

- After adjusting for inflation, which renders the numbers used to calculate gross domestic product, the goods trade deficit widened to $87 billion from $82.2 billion in the prior month.
- The real petroleum gap increased to an eight-month high of $10.7 billion as imports jumped, largely reflecting Canadian crude oil; excluding petroleum, the goods trade shortfall also widened.
- Exports and imports of goods account for about three-fourths of America's total trade; the U.S. typically runs a deficit in merchandise trade and a surplus in services.

Source: sourcingjournal.com- July 03, 2019

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US develops new cotton data tool

The US has introduced a new integrated data collection, measurement, and verification procedure for the cotton industry. Its objective is to document US cotton production practices and their environmental impact.

The data will benchmark farmer gains towards the industry's sustainability goals of 2025 as well as provide the global textile supply chain additional assurances that the cotton is produced in a responsible manner.

A pilot program will be fully implemented for the 2020 cotton crop year. Practising growers will have to adopt data tools that allow quantitative measurement of sustainability metrics like FieldPrint Platform, a pioneering assessment framework along with a self-assessment checklist.

US cotton is already among the most sustainably produced in the world. Though US cotton growers continue to embrace new technologies and management techniques that reduce impact and increase yield, the trust protocol is meant to address that need with a tangible and transparent snapshot of US cotton growing practices and the gains resulting from them.

For the next decade and beyond, US cotton producers and industry organizations are setting new environmental targets to keep pushing the frontier of sustainability and leading the worldwide effort in responsible cotton production.

Target areas and goals are established using science-based evaluations, including key performance indicators for producing each pound of cotton and pathways to achieve them.

Source: fashionatingworld.com- July 02, 2019

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Brazilian cotton prices drop on low liquidity in June

Cotton prices in the Brazilian market decreased in June due to the prevailing low liquidity. Between May 31 and June 28, the CEPEA/ESALQ cotton Index, with payment in 8 days, decreased 5.45 per cent, closing at 2.7155 BRL per pound on June 28. The average Index in June, at 2.7944 BRL per pound, was 3.04 per cent lower than that from May 2019.

During the month, agents from processing plants were not very interested in closing new deals, and were working with the cotton previously purchased through contracts and waiting for the harvesting to advance.

Besides, some of these agents claimed that by-products sales were below the expected, which increased inventories, Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on the Brazilian cotton market.

Cotton growers have already sold large amounts of 2018-19 crop, and hence deals for future delivery in both the domestic and the international markets, involving the cotton from the 2018-19 and the 2019-20 crops, were still low in June.

Source: fibre2fashion.com- July 03, 2019

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Global wool yarn growing at four per cent

The global wool yarn market is growing at four per cent a year. Wool yarn is used to manufacture curtains, carpets, etc. The increasing preference for upholstery fabrics among consumers to enhance the appearance of their home interiors is creating a lucrative impact on the wool yarn market.

The textile market has been growing at a significant rate. Owing to this, textile manufacturers are demanding raw materials such as wool yarn. Thus growing textile industry is acting as an influencing factor for the global wool yarn market. Increasing consumption of wool in end-use industries, especially in regions such as Europe and Asia Pacific, is set to boost cloth production, which is expected to increase the demand for wool yarn.

The increased penetration of online retailing in the clothing sector is indirectly driving market growth. Even with the reduction in overall wool production, the trade in yarn, apparel, and textile items has grown. This is expected to drive the demand for wool yarn from clothing and textile industries.

India is working on persuading growers to focus on wool production rather than meat production. Production in such countries is further backed by the availability of cheap labor. Hence a considerable amount of wool yarn produced in India is exported to international markets.

Source: fashionatingworld.com- July 03, 2019

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Q1 sales of German textile and clothing companies increase by 2.5%

German textile and clothing companies have made 2.5 percent more sales in the first quarter of this year. The number of employees rose year on year by 1.5 percent.

The German textile and clothing industry has about 1 400 companies and 135 000 employees and is the second largest consumer goods industry in Germany.

Exports increased by 9 per cent last year, while the sales declined due to a crisis in the German fashion retail.

German brands are leaders when it comes to excellent design and value. Worldwide, German companies produce according to best environmental and social standards.

The medium-sized companies in the German textile industry assert itself worldwide with high quality.

Source: fashionatingworld.com- July 03, 2019

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Vietnam Poised for Apparel Sourcing Influx, Though Costs Will Climb, HSBC Vietnam CEO Says

Vietnam, the heir apparent to the wealth of apparel sourcing China could forgo as it navigates its own rising costs as well as a tenuous trade relationship with the United States, is ready to assume the position.

While concerns abound over whether Vietnam has the capacity to take on all of the manufacturing headed its way, HSBC Vietnam CEO Hai Pham says although the trade war has prompted a current keener focus on new sourcing options, the country has been working toward this point for the past 10 years.

"The supply chain diversification has been happening for a few years already, mainly driven by rising labor costs in China," Pham said. "Even before the trade war, Vietnam has been getting more attention because of the proximity to China and because of the existing infrastructure in the country. The full supply chain has been set up in the country for the past decade already."

What's more, Vietnam has its government's full support where manufacturing is concerned, and they've invested significant effort into building up the apparel sector in particular.

"We expect to export $40 billion [in textiles and garments] by the end of 2019. And there's still a huge upside for growth," Pham said. "By the end of this year, Vietnam will become the second largest exporter in the world."

Next year, Pham said the country expects textiles and garment exports to reach $50 billion.

In 2018, Vietnam exported nearly $13 billion worth of textiles and apparel to the U.S. alone, a 6.19 percent increase over 2017, according to data from the U.S. Department of Commerce's Office of Textiles and Apparel (OTEXA). Vietnam is currently the third largest supplier of textiles and apparel to the U.S. after China and India.

New trade deals haven't hurt Vietnam's cause either.

With the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—formerly known as the Trans-Pacific Partnership (TPP), which President Trump temporarily stalled by withdrawing the

United States from the deal in 2017—now in place, even more eyes are on Vietnam for sourcing. As part of the deal, made-in-Vietnam garments bound for Canada, Mexico, Japan, Australia, New Zealand, Peru, Singapore, Malaysia and Brunei either are already enjoying duty-free access, or will within 10 years as some tariffs get phased out in waves.

"A lot of this manufacturing in China moved to Vietnam to take advantage of that trade agreement," Pham said.

The 11-member pact—which could ultimately include the European Union as the bloc already has negotiated, or is in the process of hammering out, trade deals with each CPTPP member—has also further fueled investments in the apparel sector.

"Because of CPTPP, we are seeing more investment into fully vertical supply chains, so you're talking about yarn-forward for manufacturing," Pham said. "As of today, you're talking about 20 percent that are vertically integrated, so there's still a lot more room to grow to make sure the whole supply chain is sustainable."

Under the CPTPP agreement, garments must meet the yarn-forward rule of origin to enjoy trade preferences, meaning they have to made in CPTPP countries from the yarn stage forward.

Currently, Pham said, as much as 80 percent of the raw materials Vietnam uses for manufacturing are still sourced from China, a reliance the country is looking to scale back on, particularly as maintaining that level of input intake would mean it couldn't enjoy the duty breaks the trade agreement affords. As such, Pham said, there's a "clear focus" in the country, and among the government, in terms of investment in greater verticality.

"To really benefit from CPTPP, you need to benefit from the rule of origin," Pham said. "A lot of investment has happened for the last two to three years already…and that will help to reduce the material sourcing from China."

While the country's capacity doesn't seem to be a constraint keeping Pham up at night, he admits labor may prove an ill to contend with—both its rising cost and concerns around availability.

Though still cheaper than China, Vietnam's minimum wage has climbed at least 5 percent (sometimes double digit increases) each year, climbing from 1.9 million Vietnamese dong ($81.71) on the low end in 2014, to the current 4.18 million dong ($179.77), which took effect in January. That's a 120 percent increase in five years.

"I think because of the rising labor cost in Vietnam, a lot of suppliers have decided that for the high value-added items, they will keep in China. For the low value added, I think they will move to Bangladesh," Pham said. "Vietnam is still competitive in labor cost, but labor cost is rising. That's one of the constraints the garment sector needs to address."

Many suppliers in Vietnam, as has long been the case in China, are relocating from major cities to more rural areas like central Vietnam and the Mekong Delta, teeming with potential talent.

"Sixty-five percent of people are still living in rural areas," Pham said. "So, there's still plenty of labor supply in the country."

To combat the rising costs of that labor, however, manufacturers are embracing automation in a big way.

"They are looking at supply chain automation because they understand labor costs will keep rising," Pham said. "A lot of suppliers are now talking about automation so there's consistency of supply and you can manage the labor costs issue."

Source: sourcingjournal.com- July 03, 2019

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Chinese to invest $500 million in industrial park in Ethiopia

The park will be dedicated to textiles manufacturing, according to a delegation led by Du Xiaogang, Mayor of Kunshan, who visited Dire Dawa yesterday. Over the past years, including Eastern, Jimma and Arerti Industrial parks, Chinese investors have been expanding ownership of industrial parks in Ethiopia.

Speaking after the visit, the Mayor said investors from the city have finalized preparations to establish a textile industrial park within the coming two years, according to FBC, Ethiopia's ruling party affiliate media report. Mayor of Kunshan stated that the new investment testifies the strong bilateral ties between Ethiopia and China.

China is ready to share its experience to Ethiopia in order to make industrial parks in the country more productive and successful, he said. About 30 professionals drawn from all industrial parks are currently receiving a 10-day training on industrial park management at a training center built in Dire Dawa.

Kedir Juhar, head of Dire Dawa trade, industry and investment bureau, said the city administration would provide all needed support for the establishment of the industrial park.

Lelise Neme, CEO of the Ethiopia Industrial Parks Development Corporation said investment from Kunshan would help to foster university-industry linkage, besides creating employment opportunities.

The report also stated that Lelise also invited Kunshan investors to invest more in Ethiopia. Dire Dawa and Kunshan are expected to sign a sister city agreement next month.

In his Parliament address Prime Minister Abiy Ahmed on Monday stated that his government is working to privatize industrial parks as part of its economic reform, which involves partial privatization of major state-owned enterprises and infrastructures, including power stations, telecom and Ethiopian Airlines, among others.

Reports show that including those under construction by the government and the private sector, there are currently around 23 industrial parks in Ethiopia.

Source: newbusinessethiopia.com- July 03, 2019

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Bangladesh: Garment accessories see bright prospect

Tk 1,200cr was invested last year: BGAPMEA president

Makers of garment accessories and packaging have made an enormous investment of about Tk. 1,200 crore to push up export earnings and meet the demand of the apparel sector.

Accessibility of the workforce at reasonable wages, duty-free market access in major export destinations, and preferential location at the heart of the Asia-Pacific region have lured foreign investment to the textile and apparel industry, said Abdul Kader Khan, president of the Bangladesh Garments Accessories and Packaging Manufacturers' and Exporters' Association (BGAPMEA).

Around 100 newly built factories are coming up each year to manufacture accessory products.

Last year, investments worth Tk. 1,000–1,200 crore were made in this sector. Even more projects are now waiting in the pipeline, Abdul Kader Khan said.

Talking about the reason behind the huge investment, Khan said since Bangladesh is the world's second largest exporter of apparel products after China, there is a huge investment opportunity in the textile and garments industry.

So far, Tk. 40,000 crore has been invested since the inception of this sector, he added.

"We have urged the government to reduce corporate tax to 10–12 per cent from 35 per cent to ensure more growth in the garment accessories sector.

We have seen how the government's decision to reduce corporate tax rate from 15 per cent to 12 per cent in the readymade garments (RMG) sector eventually inspired local investors to make investment decisions," said Khan.

Since the demand for accessory products is growing at a faster rate at both home and abroad, around 100 new factories have started their operations this year. Presently, around 1,200 factories are producing accessory items in the country. Most of them are compliant factories.

Talking about fully compliant accessories factories, the BGAPMEA president said: "Dekko Accessories Ltd, Babylon Group, Montrims Ltd, KDS Accessories, Mastex Accessories are some of the fully compliant factories in the accessories industry."

"We have to put more emphasis on producing high-quality accessory items. We must establish this sector separately and not as the backward integration of the readymade garments (RMG) industry," he also said.

"However, the new investment will focus on direct export of accessory items because we can meet approximately 95 per cent of the local demand," he added.

He said Bangladesh produces and exports accessories like woven labels, leather badges, stone and metal motifs, rubber patches, gum tapes, satin and cotton ribbon hangers, price tags, buttons and zippers.

Indirect contributions have always made up 15–20 per cent of the net export earnings of the RMG sector. Export earnings from the RMG sector in FY2017–18 totalled USD 30.61 billion. This includes approximately USD 7.10 billion from accessory items used in the RMG, leather, pharmaceutical and other export-oriented sectors.

Currently, the export contribution of accessory items is USD 7.10 billion, among which USD 1.42 billion comes from direct exports to the Middle-East, South Africa, Sri Lanka, Malaysia, Europe, Vietnam, Cambodia, and Laos.

Some factories are already exporting accessory items directly, Khan said.
"Bangladesh yearly exports basic polo shirts, which are worth USD 6 billion, among which our contribution stands at USD 1.2 billion," he added.

Export Promotion Bureau stats show that exports of yarn and fabrics rose by 20.16 per cent to USD 141.12 million between July and May of FY2018-19 compared to the same period in FY2017-18. This scenario clearly depicts that Bangladesh could be a major source of garments raw materials, said Khan.

Source: theindependentbd.com- July 04, 2019

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Vietnam shapes as a key winner from the US-China trade war

Vietnam's economy is booming as the country plays off old enemies as new friends in technology and manufacturing.

Even a few hours in Ho Chi Minh City, still called Saigon by the locals, will give you a feel for how much the Vietnamese economy is booming. The international airport completed in 2007 can handle 17 million passengers a year, the city's first metropolitan train line is under construction, and ever taller office and apartment blocks are beginning to rise both inside and now outside the city's riverfront centre.

The bedrock in Vietnam's enviable run of prosperity has been the shift of low-cost manufacturing from China. In 2010, for instance, Vietnam produced more Nike sports shoes than China for the first time. In 2018, foreign direct investment almost doubled compared with 2017, with 112 countries and territories investing in Vietnam.

In downtown Ho Chi Minh City, plastered in front of the metro stop being built between the city's colonial-era Opera House and the famed Rex Hotel, is a large sign that reads "Japan-Vietnam" with the flags of the nations in the top corners.

The best restaurants in the city centre are peppered with tables of Japanese businessmen. Indeed, Japan was the largest investor in Vietnam in 2018 with US$8.59 billion, 24.2% of the total investment capital, according to official figures. It was followed by South Korea and Singapore.

The Chinese, too, are showing increasing interest, according to investment consultants in Vietnam, particularly across the border in and around Hanoi, which gained the biggest slice of foreign investment of any region last year at 21%.

The vast majority companies have upped sticks from China's increasingly unaffordable wages for mass produced items as the corporate state has turned focus away from being the world's factory in a bold strategic bid at being the world's research lab.

And on 30 June, Vietnam inked a free trade agreement with the European Union, lifting its competitiveness with its Asian neighbours, further diversifying its market risks and guaranteeing a fresh investment surge.

This trend in Vietnam's economy is being brought into the mainstream media spotlight by the trade war between the US and China. With a surge in goods being imported into the US from other parts of Asia, Vietnam is shaping as arguably the key beneficiary of the trade war.

So much so, US President Donald Trump, just ahead of the Osaka G20 meeting where the trade war hit one of its pauses, threatened to impose tariffs on Vietnam as well, describing the country as "the single worst abuser of everybody". This, even as the US has moved strategically closer to its former rival in recent years.

"A lot of companies are moving to Vietnam," Trump said, "but Vietnam takes advantage of us even worse than China. So there's a very interesting situation going on there." There have been credible concerns about the scale of that Chinese goods being shipped to the US via Vietnam and rebadged as "Made in Vietnam" to escape tariffs.

Vietnam is not the only significant beneficiary of the shift out of China to low wage countries for manufacturing, a trend being accelerated by the trade stoush. Bangladesh (now the world's second-largest garment maker after China), Cambodia and Myanmar, Indonesia, Thailand and Malaysia have also seen companies shift from China into swelling South and Southeast Asian manufacturing hubs.

But Vietnam is more than just a low-cost garment maker and is attracting a formidable investor list amongst the world's top technology brands to build parts and assemble goods.

South Korea's Samsung, the world's biggest phone maker, has invested billions of dollars in building its manufacturing base in the Saigon High-Tech Park, closing its factory in Shenzhen, China, home to rival Huawei Technologies in 2018. Japan's Olympus followed suit, shuttering its factory in Guangdong province in favour of Vietnam Intel. Schneider and Jabil have also joined the technology park, and in 2015 Microsoft moved its Nokia manufacturing from Beijing to Hanoi.

Vietnam's Communist party has subtly different structures to that in China, driven in some part by a need for geographical balance at the top, helping it be less susceptible to the emergence of the generational strongman as China continues to throw up.

It has history of successfully playing China off against Russia, and the US is now firmly in that mix. Business people say as China pushes forward with its nationalistic indigenous business policies, Vietnam is now more business friendly to foreign companies, especially in the strategically critical technology sector.

Concerns in the West continue to rise about the potential of Chinese technology into infrastructure, both in the broader economy with vulnerable corporate IT systems, and in the defence arena. The poster child is 5G mobile phone networks, where there are multiple concerns about an integrated Chinese vendor led by Huawei using so-called backdoors into the networks and their vast databanks of customer data. In stunning recent move, the Vietnamese Army controlled major mobile network Viettel joined only Australia, the US and Japan in banning Huawei equipment from its 5G networks, boosting Vietnam's position as the standout China alternative.

According to figures from the US International Trade Commission, US mobile phone imports from Vietnam more than doubled in the first four months of 2019 compared to 2018, while computer imports rose by 79% for the same period. Vietnamese imports into the US increased in garments, textiles, furniture and dried fish, which was previously processed in China for consumption in the US before Trump's tariffs hikes.

Vietnam has climbed the US import chart to 8th position in the first four months of 2019. Ranked 12th for the same period last year, it has leapt over Ireland, Italy, India and France so far this year. This shows how Trump's anti-Vietnam hyperbole could introduce the very long piece of string that would almost certainly unravel the already fragile global economy if the tariff wars start to shift down the global supply chain.

Yet for now, Vietnam continues to move closer to the US in the defence sphere – pulling US tech investment with it. At the same time, a flood of Chinese investment is also beginning to pour in, with Vietnam considered least worst lower cost offshore option and a system it intimately understands. The country that beat off the US and China militarily in less than a decade is continuing its remarkable trend, winning from the trade war every which way.

Source: lowyinterpreter.org- July 03, 2019

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How the US-China trade war is likely to affect SA

The three probabilities that have been proposed, and the likely implications of each.

The simmering US-China trade war has again made headlines, with President Donald Trump's surprise turnaround this weekend after discussions with Chinese President Xi Jinping at the G20.

Trump annouced that US technology companies would be allowed to supply Huawei, and agreed not to add additional tariffs for the "time being".

The trade war is one component of an altogether broader confrontation in the relationship between the two largest economies in the world, which has been deteriorating more quickly over the past 10 years and has taken on greater intensity since Trump took office.

The relationship is transforming from an essentially mutually beneficial one to an increasingly confrontational engagement.

The US seems to view China's rapid growth and progress as a threat, primarily because of its size, trading power and rapid – and often contentious – adoption of global intellectual property. China has been actively extending its influence in emerging market and developing economies (EMDEs) through infrastructural development and cooperative aid.

The rising tensions have been over the imposition of higher trade tariffs across a widening base of traded goods by the US on China and a response from China, though more muted.

Three different outcomes (probabilities) have been proposed, based on a model developed by Dezan Shira & Associates, a multi-disciplinary consulting and business intelligence firm in Asia:

- A worst-case scenario of all-out war – unlikely
- A middle-ground scenario of a truce – likely
- A scenario where a trade deal is done – possible.

South African ties with China

The relationship between China and South Africa extends across diplomatic, trade and investment ties. While the diplomatic relationship has been in place for the past 21 years, in 2010 the Chinese government upgraded South Africa to the diplomatic status of 'Strategic comprehensive partner', signalling its intention to take a more active role in its relationship with South Africa.

SA has been China's largest trading partner in Africa for eight consecutive years, accounting for a quarter to a third of China-Africa overall trade. South Africa aims to promote investment-led trade.

The Brics grouping of major emerging national economies (Brazil, Russia, India, China and South Africa) is about liberalising trade among this bloc and pushing for a more representative global order in diplomacy and trade.

At the Brics Summit in July 2018, President Xi pledged $14.7 billion in investments in South Africa. Few details of these pledges are available but Chinese banks have lent a combined $2.8 billion to state-owned enterprises Eskom and Transnet, according to a Reuters report.

In 2018, SA's exports to the China trade group accounted for 11.4% of its total exports. Imports from China accounted for 19.8% of SA's total imports.

South Africa's trade deficit with the China trade group is determined primarily by its net import deficit of R111.2 billion in machinery, R17.1 billion in textiles, R15.1 billion in chemicals, R12.9 billion in plastics and rubber, and R10.9 billion in toys and sports apparel.

These major deficit categories were partially offset by a net trade surplus of R79.5 billon of mineral products, R15.4 billion of precious metals and R5.9 billion in vegetables.

In 2018, South Africa's trade deficit with the Asian region, which includes the Middle East, was R165.3 billion – with China, Hong Kong and Taiwan representing 58.8%, Saudi Arabia 39.9%, Thailand 18.5%, and the balance by the rest of Asia and the Middle East.

Limited impact on SA-China trade

China has a long-term global development strategy that is likely to continue regardless of the outcome of the current phase of the tangled US-China relationship.

China is expected to continue to invest directly and give aid to South Africa given SA's resource-rich base and its important role in the sub-Saharan African market.

However, one of the key issues affecting direct investment in new production and existing businesses remains South Africa's racial empowerment quotas regarding investment, ownership, mining rights, management, staffing and procurement.

For now, the trade war has had a limited impact on SA's trade with China, given the mix of key product categories that dominate imports and exports.

In the event of a trade truce or a trade deal, SA will benefit along with the rest of the world due to the improved sentiment around global trade.

In the event of an all-out trade war, base and carbon steel commodity prices are likely to come under downward pressure in the short and medium term, which would erode the value of SA's exports.

Effect on South African equity investors

An escalation of the trade war should be negative for international commodity prices in the short term. Commodity base metals and carbon-based steel raw material are likely to be negatively impacted. However, the effect should mostly be offset by a rise in precious metal prices, especially gold. This means that investor positioning in the mining sectors would take on added importance.

An escalation in the trade war would likely be negative for SA companies invested in Europe, given Europe's dependence on trade with China. This could slow Eurozone GDP growth, which would affect apparel, food service and real estate companies in European markets, especially real estate.

South African domestic companies are unlikely to be materially affected, other than the overall softening of market confidence due to an escalating trade war. Chinese investments in SA are in non-listed companies so South African investors can get no direct exposure.

If Chinese lenders and developers can get to a mutual arrangement with South African partners on the latter's racial empowerment quotas, then some important infrastructural and industrial developments can get underway. Again, SA equity market investors will have very limited if any ability to participate or benefit as these businesses are likely to be non-listed.

Most likely outcome

The most likely outcome of the current US-China trade negotiations is a truce, which amounts to a trade deal that is long on form and short on substance. The global equity markets are likely to respond positively to this outcome in the short term. The deal is unlikely to be comprehensive and the policing of intellectual property and cybersecurity issues are expected to remain unresolved, which suggests further trade disagreements are likely in the medium term.

The confrontational relationship between the US and China remains far deeper than just trade, mainly due to the growing global power and influence of China, which the US sees as a threat to its global power position. In the short term, a trade deal between the two largest economies in the world should be good for global trade, market sentiment and confidence in global growth. On this basis, we still see stronger real GDP growth in advanced economies and larger EMDEs (emerging markets and developing economies) than in South Africa in the medium term.

A trade deal would improve the global outlook, while the South African investment outlook remains structurally constrained by its empowerment policies, tighter labour legislation framework, protectionist trade unions, necessary fiscal consolidation and badly underperforming state-owned companies, which are undermining economic stability and expansion.

The South Africa equity market has substantial exposure to metal commodity producers, companies with international subsidiaries growing in faster economies than in South Africa, and multinational dual-listed companies.

Source: moneyweb.co.za- July 03, 2019

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Manufacturers in Vietnam benefit from US-China trade row: survey

Manufacturers operating in Vietnam are benefiting from prolonged US-China trade disputes, which have led to plant relocations and expansions across Asia, according to an NNA joint survey with a local industry body.

The multiple-answer survey of 566 firms in Vietnam showed that 31 pc of respondents had expanded output, while 31 pc anticipated rising sales in the years ahead.

The survey by NNA and the Vietnam Chamber of Commerce and Industry from April to May drew responses from 200 local firms, 81 from South

Korea, 66 from Japan, 35 from Europe, 22 from China and 14 from the United States as well as from other countries and regions. By industry, 26 pc of respondents were textile firms, 17 pc were in the food and beverage sectors, and 7 pc were footwear makers.

Since the outbreak of the trade conflict in the spring of last year, 24 pc of the 566 respondents said they had witnessed a rise in sales "somewhat" or "greatly," while two-thirds said sales had remained unchanged.

As for impacts on their supply chains triggered by the trade row, 15 pc said they were considering stepping up production in Vietnam and other countries. Among Japanese firms operating in Vietnam, 35 pc said they will do the same, according to the survey.

"US companies appear to place more orders with Vietnamese firms," said Kenichi Kitazawa, general director of Altech Asia Pacific Vietnam Co., a local arm of Japanese machinery trader Altech Co.

Exports to the US market by his company's clients in the soft packaging industry are increasing, he told NNA, adding the clients have become more conscious of quality.

Source: mmtimes.com - July 04, 2019

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Pakistan: Textile units shut down amid rising costs

The business of wholesalers and retailers associated with textile processing mills has come to a standstill after the end of zero rated regime for the textile sector coupled with imposition of sales tax of 17 and 20 per cent, said the All Pakistan Textile Processing Mills Association (APTPMA).

APTPMA Chairman Mohammad Arif Lakhani in an emergency meeting held on Wednesday said that, "we are not on strike but all processing industries have been closed for the last three days as our customers have stopped sending any work of dyeing and printing at our factories, rendering thousands of workers jobless."

The meeting was attended by association's members including wholesalers, retailers, representatives of hosiery and textile sectors.

The meeting unanimously passed a resolution demanding an extension for sales tax implementation on CNIC basis besides continuing SRO1125 and zero rating till July 31, according to a press release issued by the APTPMA. The association also asked the government to find a solution for sales tax issue by July 31 after holding negotiations with dyeing and weaving sectors along with textile retailers and wholesalers.

APTPMA former president Zubair Motiwala said that imposition of 17pc and 20pc sales tax, 31pc increase in gas tariff, power tariff hike and rupee depreciation against the dollar have increased the cost of doing business.

"Our exports will fall by 30pc in case sales tax exists on zero rating sectors," he feared adding that imposition of sales tax would not augur well for export-oriented industries.

Pakistan Hosiery Manufacturers and Exporters Association Chairman Jawed Bilwani said the textile sector has been passing through an uncertain phase and Prime Minister Imran Khan should take serious notice of the concerns raised by businessmen as the closure of industries would plunge the country into economic crisis.

He expressed surprise that the PM has been meeting with representatives of irrelevant and un-registered associations.

"PM should hold meeting with registered trade and business bodies and restore zero rating for industries," he added.

Representative of clothes market, Alam Sheikh said prices would go up due to imposition of sales tax on dying, printing, yarn, clothes, embroidery, retailers and wholesalers.

"We will go for the strike if the government fails to take notice of our demands in the next 72 hours," he warned.

Wholesaler Shahid Wadood said the imposition of sales tax would make a big difference in production cost and encourage smuggling of clothes from India and China into the Pakistani market.

"Wholesalers are facing severe problem in cash recovery from retailers after budgetary measures," he added.

Warning issued

The Lahore Chamber of Commerce and Industry (LCCI) has warned the government that trading activities will come to a halt if the condition of disclosing CNIC details of sales to unregistered persons is not delayed for at least one year.

"We request the government to relax the condition of disclosing CNIC for sale to unregistered persons for one year. And if the government continues to ignore this issue, trading activities will surely come to a halt," LCCI President Almas Hyder said while speaking to a gathering of businessmen on Wednesday.

Under an amendment introduced by the government in the Sales Tax Act, sellers are required to include the buyer's CNIC number on the sales tax invoices. However, the business community believes that this condition would result in a potential misuse of CNICs and can be used in fraudulent transactions of billions of rupees as reported from time to time.

Similarly, in such situation, buyers will also prefer purchases from unregistered sellers. "There is no logic to bind traders to charge sales tax at retail end," he added.

On the other hand, the Markazi Tanzeem Tajran Pakistan on Wednesday announced to hold countrywide protests, observe shutter down strikes and take extreme steps if government didn't accept their charter of demands till July 7.

"We have given a deadline of July 7 to the government to accept our 32 demands. And if it ignores these, we will have no option but to put keys of thousands of industrial units, business premises at Islamabad D-Chowk besides initiating a protest move and observing shutter down strike," said MTTP President Kashif Chaudhry at a press conference at Lahore Press Club.

Source: dawn.com- July 04, 2019

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Rising stocks and uncertain demand cloud global Cotton outlook: ICAC

Rising stocks and uncertain demand are clouding the outlook for the global cotton market in the year ahead, although stocks outside of China are still seen reaching an all-time high.

In its latest monthly update as the 2018/19 season draws to a close, the International Cotton Advisory Council (ICAC) says global cotton consumption looks set to outpace production by 1 million tonnes in the period. Its numbers suggest production will be 25.7 million tonnes, with consumption estimated at 26.7 million tonnes.

Major producers including the USA, Pakistan and Australia suffered production losses due to poor weather conditions and lack of available water, but Turkey and Brazil both posted positive totals in 2018/19, with Brazil setting a record-high production of 2.7 million tonnes.

The 2018/19 projected ending stocks of 17.8 million tonnes are expected to expand to 18.7 million tonnes by the end of next season, with stocks outside of China reaching an all-time high of 10.5 million tonnes.

If consumption increases in 2019/20, it likely will come from the emerging economies in Asia and South-east Asia, ICAC said.

Source: commodityonline.com- July 03, 2019

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NATIONAL NEWS

India eyes gains from Sino-US trade tension

India in touch with 250-plus US companies to shift manufacturing under 'China Plus One' policy.

India has opened conversations with over 250 American companies that are exploring a shift in manufacturing operations from China — an effort that has received fresh impetus after the meeting between Prime Minister Narendra Modi and US President Donald Trump.

ET has reliably gathered that the Prime Minister's Office (PMO) set the ball rolling on this effort through a letter to Niti Aayog on June 28, the same day that Modi and Trump met in Osaka.

"Several global companies engaged in large-scale manufacturing, especially in China, are seriously considering an alternative location, owing to political, economic and strategic reasons. The ongoing US-China trade war has further accelerated the pace of efforts at relocation or towards finding a diverse location," stated the letter, which calls for setting up an inter-ministerial panel to look at ways to harness India's potential to become a low-cost manufacturing hub for high-end IT products.

The talks with American companies are in initial stages and delicately poised amid growing Sino-US tensions, ET has learnt. Auto components, electrical and electronics, consumer durables, processed foods and mobile accessories could be among the sectors in India that could see investments as companies relocate from China.

The inter-ministerial panel is expected to identify 'disability' vis-à-vis other potential investment destinations such as Vietnam — which offer huge export incentives — and look at opportunities arising out of the Sino-US trade dispute.

Invest India Told to Back Initiative

Further, the panel will consider possible fiscal and non-fiscal interventions that will be compliant with India's obligations at the World Trade Organization (WTO).

Electronics constitute the biggest chunk of global exports and the government wants to capture a large share of this pie. According to the National Policy on Electronics, India aims to export $110 billion worth of mobile phones out of the country's total estimated production of $190 billion by 2025. Smartphones and electronics are the single largest item of import for six out of 10 largest importing countries.

The letter also asked Invest India, the country's investment promotion wing, to extend all necessary support to the policy-making initiative.

Invest India has been trying to facilitate investments from Japanese, South Korean and Taiwanese businesses willing to shift some of their operations to India from China amid a power rivalry, said people familiar with the matter.

Japanese businesses have steadily increased their presence in India since 2014, and the momentum may pick up over the next few years aided by the deepening bilateral strategic partnership.

Simultaneously, South Korean businesses, including those involved in manufacturing, are keen to expand their footprint in India by shifting from Japan amid bilateral and geopolitical tensions, said experts.

Interestingly, businesses from Taiwan — which are present in huge numbers in mainland China — are also exploring the possibility of shifting some facilities to India and are seeking concessions, the people said.

A senior Taiwanese official, who did not wish to be identified, told ET that Taiwan is seriously considering shifting some operations from mainland China to India due to favourable political and economic conditions.

Globally, many companies are following a strategy called 'China Plus One', which refers to efforts to diversify supply chains by setting up a production base in at least one other country besides China.

"Under this strategy, businesses started to shift to Vietnam and Thailand from mainland China as these two South-East Asian nations have attractive free-trade agreements (FTAs) for third-country exports.

A case in example is Samsung, which started operating from Vietnam a few years ago and today contributes significantly to that country's gross domestic product. But these markets in SE Asia are small, and India's attraction is its huge market and growing middle class. This is India's chance in history," said one of the sources mentioned earlier.

Source: economictimes.com- July 04, 2019

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India's trade deficit widened with 25 major countries in 3 years

India's trade deficit, difference between imports and exports, has widened during the past three years with as many as 25 major countries including South Korea, Japan, Germany, Iraq and Saudi Arabia, Parliament was informed Wednesday.

Commerce Minister Piyush Goyal said in a written reply to the Lok Sabha that trade deficit depends upon relative fluctuations in the imports and exports of different commodities due to the global and domestic factors such as demand and supply, currency fluctuations, cost of credit, and logistics costs.

The increasing trade deficit in spite of positive growth of exports is mainly due to higher imports of products such as crude oil, electronic goods, iron and steel, chemicals, coke, fertilisers, and machinery, he said.

These products contribute over 70 per cent share in total imports in 2018-19. Trade deficit with Korea, Japan, Germany, Iraq and Saudi Arabia increased to $12 billion, $7.9 billion, $6.25 billion, $20.58 billion and $22.9 billion, respectively, in 2018-19.

The minister added that the government has taken several steps to boost India's exports and minimise the impact of trade deficit.

The steps include improving ease of doing business, scheme for development of trade-related infrastructure, and scheme to mitigate disadvantage of higher cost of transportation for export.

India's overall trade deficit, including both goods and services, has increased to $103.63 billion in 2018-19 from $84.45 billion in the previous financial year.

"As per Foreign Trade Policy 2015-20, the government aims to increase India's export of merchandise and services from $465.9 billion to about $900 billion by 2019-20 and to raise India's share in world exports (goods and services) from two per cent to 3.5 per cent," he said.

Source: livemint.com- July 04, 2019

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Budget challenges

Boosting consumption, investment is vital

Over the last five years, a series of landmark economic reforms such as Goods and Services Tax, Insolvency and Bankruptcy Code, Ease of Doing Business, and many more have changed the policy environment for industry. However, a fresh set of challenges confronts us now which requires new policy responses.

The Budget needs to address the issues of boosting demand, energising investments, and accelerating India's path to becoming a $5-trillion economy. The foremost consideration for the Budget should be to retain the fiscal deficit discipline. The current level of 3.4 per cent appears prudent at this juncture. Simultaneously, the government's spending programme will be crucial to overall health of the economy, and the aim should be to maintain expenditure on key infrastructure sectors with high multiplier effect.

A key area of concern today is the cost of consumption and investments. According to a CII estimate, India would need an investment of ₹451 lakh crore over the next five years, to take GDP growth rate to the desired 10 per cent by 2023-24. To raise resources, the Budget may consider keeping a strong disinvestment programme going through the year. Recycling of brownfield government assets with sale of financially viable facilities such as airports, power plants, roads, and so on could also add greatly to its funds for new capital investments.

High tax rates on capital need to be brought down by lowering corporate tax rates. CII has suggested 25 per cent corporate tax rates for all enterprises with few exemptions and a movement towards a revenue-neutral rate of 18 per cent without exemptions as a desirable future target. The dividend distribution tax may be halved from 20 per cent to 10 per cent. While this is under consideration, an immediate step to attract investments could be to extend investment allowance to all sectors.

Similarly, the personal income tax burden also needs to be brought down. It is important to simplify tax administration over the next three years to infuse greater consistency, certainty and continuity into the process.

The financial sector has been subdued over the last year. Bank recapitalisation will be a priority area for the upcoming Budget to enable banks to lend more. The CII has suggested that government stake in public sector banks should be brought down to 51 per cent and thereafter to 33 per cent in stages to promote capital inflows and efficiency.

With non-banking financial companies (NBFCs) a major source of consumer finance, it is important that their current problems should be addressed. Currently, NBFCs have no recourse to the Debt Recovery Tribunal and should be allowed to exercise the right of recovery of dues under this and under the provisions of the SARFAESI Act for ₹1 lakh and above. Further, a unified regulator for the financial sector could be considered.

With employment generation as a high priority, specific labour-intensive sectors may be taken up for promotion by the Budget such as textiles, housing and construction, agriculture, food processing, tourism and so on.

Boosting corporate sector participation in agri marketing is critical. A level playing field between private direct purchase centres and mandis would help in this effort. A critical area that the Budget must take up is export promotion. While global supply chains are restructuring and trade is slowing down, India needs to redouble its efforts to access overseas markets. India must phase out direct incentives for exports and replace them with those that conform to WTO norms.

Source: thehindubusinessline.com- July 03, 2019

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'Language, banking system impending trade with central Asia'

Language barriers, weak banking system and poor connectivity are some of the key factors impeding higher level of trade with Central Asian countries, Commerce Minister Piyush Goyal said in Lok Sabha on Wednesday.

Goyal said efforts are being made to boost trade by resolving various trade related matters through existing institutional mechanisms between India and Central Asian countries.

"Some factors impeding higher level of trade with Central Asian countries include language barriers, stringent process of registration of products, problems in dispute settlement, weak banking and financial system, low accessibility, poor connectivity and visa issues with these countries," he said during Question Hour.

Central Asian countries Kazakhstan and Kyrgyzstan are members of the Eurasian Economic Union (EaEU).

The minister said a joint feasibility study has been conducted to explore possibility of free trade agreement with EaEU in which Russia, Armenia, Belarus are the other three countries.

The Joint Feasibility Study (JFS) has found there is a significant realizable potential to enhance bilateral trade with Kazakhstan and Kyrgyzstan through a trade agreement, he said.

Further, Goyal said, a joint statement has been shared with Uzbekistan to commence a joint feasibility study to explore preferential trade agreement between India and Uzbekistan.

The likely potential of the bilateral trade would be determined once the joint feasibility study gets completed, he said.

Source: business-standard.com- July 03, 2019

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Why driving manufacturing and exports is critical

A big revival in manufacturing is critical for the government to achieve both better economic growth as well as create more jobs. The Union Budget presented by finance minister Nirmala Sitharaman will need to have proposals that significantly improves the status of manufacturing in the country.

According to Crisil, manufacturing's share in India's GDP crawled up to 18.2 per cent in the year 2018-19, from 17.2 at the end of the UPA government's second term. The meagre one per cent increase in five years shows how much faster the manufacturing sector needs to grow, if its share of GDP has to reach 25 per cent by 2022, a threshold that must be achieved if India has to compete with nations like China, the US, Japan and South Korea in the international arena, as well as generate enough jobs for India's aspiring youth.

With the heightened tensions between the US and China on the trade front, there are many who feel India has an opportunity to offer a base to MNCs who may leave China. Moreover, there is also an opportunity to supply value added manufacturing goods to developed markets, a segment China had been catering to so far. However, this is not going to be easy, as India is also under the US radar for allegedly levying high tariffs on imports from the country. Here are some things the government can do to step up manufacturing, some of which are expected to find resonance in the upcoming Budget:

Boost investments: One of the biggest dampeners for manufacturing has been the tepid investment climate. "Stepping up investments, both public and private, is critical for boosting our growth potential. The New Industrial Policy has to be made more potent, providing key directions in terms of continuity, consistency and certainty for all policies governing industry", says Vikram Kirloskar, president of the Confederation of Indian Industry (CII). The formation of the Cabinet Committee on Investments, chaired by the prime minister, is expected to look into the matter with urgency. India's best bet to raise growth is by raising the investment cycle. "India's best bet to raise private investment (which makes up 75 per cent of all investment) is by creating a conducive environment, by stepping up public investment in a fiscally responsible way. And that can only happen by adopting 'asset recycling'," says Pranjul Bhandari, Chief India Economist at HSBC.

Ease of doing business: The government needs to expedite ease of doing business on the ground, especially in areas related to land acquisition, faster and simpler clearances and also ensure a lead role for the states in reforms. For instance, only eight states have implemented the Land Acquisition, Rehabilitation and Resettlement (LARR) Act 2013. This is despite the Union government allowing states to amend LARR as per their specific requirements. The government should also identify key areas of growth in the global markets, and help set up units that can compete in the global markets on product quality and cost-effectiveness.

Reviving the auto sector: India's car sales dipped 16 per cent in April, the worst fall in eight years, and the tenth consecutive month since July 2018 when sales have declined. To revive the sector, the Society of Automobile Industry (SIAM) wants the government to reduce the current tax incidence of 28 per cent for all categories of vehicles and bring it down to 18 per cent to spur demand.

Also, in September 2017, the cess was increased to 17 per cent, 20 per cent and 22 per cent from the earlier rate of 15 per cent for mid-sized and large (luxury, SUVs and MUVs) passenger cars. This cess rate can be revised downward to provide the required push to the auto industry.

Also, to get polluting old vehicles off the road, SIAM has proposed an incentive-based scrapping scheme. In order to promote 'Make in India' initiatives and support local manufacturing, SIAM asked the ministry for an increase in applied customs duty on fully imported commercial vehicles (CV) to 40 per cent from 25 per cent and reduce the customs duty on semi-knocked down CVs to 20 per cent from 25 per cent.

More allocation for textiles: The government proposed Rs 5,832 crore in budgetary allocations for the textile ministry in the 2019-20 interim budget, which is over 16 per cent lower than the last fiscal.

The industry, however, expects a higher allocation of over Rs 7,000 crore to meet its obligations under the Amended Technology Upgradation Fund Scheme (ATUFs) and Remission of State Levies (ROSL) scheme. Also, the industry wants the government to include cotton yarn and fabrics as well under the ROSL scheme.

Supporting MSMEs: To revive the MSME sector, focus on improving supply chains to save on logistics costs in procuring raw material. World over, MSMEs are the backbone of large manufacturing industries, providing a seamless supply of raw materials, or acting as outsourcing firms to the large manufacturers. Click here for more details

Source: indiatoday.in- July 03, 2019

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Budget 2019: How Modi government can dispel 'jobless growth' notion, boost labour-intensive sectors

Budget 2019 India: Seeking to dispel the notion of "jobless growth", the Narendra Modi government will likely roll out incentives in the coming Budget for some labour-intensive sectors such as textiles & garments, gems & jewellery and leather, particularly targeting exporters and micro, small and medium enterprises (MSME) in these sectors.

With an aim to boost exports of garments, the biggest employer after agriculture, the scope of the textile ministry's "remission of state levies" (ROSL) scheme will be widened to also compensate apparel and made-up exporters for their payment of Central levies on inputs consumed in exports, official and industry sources told FE. So, the allocation under this scheme could be more than tripled for FY20 from February's Interim Budget level of just Rs 1,000 crore.

Keen to soften the blow for the MSME sector that was hit by the double whammy of demonetisation and the goods and services tax (GST), finance minister Nirmala Sitharaman could also heed industry demand for a 2% interest subsidy on bank loans to SMEs for a year. Such a relief is already available but only on fresh loans and for GST-registered SMEs. Facilitating smoother flow of credit to them will be another focus area of the Budget.

Indranil Sen Gupta, chief India economist at Bank of America Merrill Lynch, said: "If the ministry of finance offers 2% subvention for a year in the July 5 Budget, it will have to pay out just Rs 100 billion each in December-March of FY20 and June-September quarters of FY21." Such a step will "defuse the liquidity crunch at a minor fiscal cost of 0.05% of GDP each in FY20-21", Sen Gupta said in a report.

The Budget may also seek to trim customs duty on capital goods that are not produced in India and look at creating an export development fund for MSMEs, with a corpus of 0.5% of export value so that they can aggressively take part in global trade shows, according to industry sources.

To draw people to park their idle gold holdings with banks to reduce reliance on imports and cut their damaging impact on trade balance, the Budget will likely offer a fresh push to the gold schemes, laying out plans to tweak existing ones and announce new products. It may introduce a gold savings account under the monetisation scheme that will enable banks to take deposits from customers in rupees but credit grams of gold into their accounts. The monetisation scheme, introduced in late 2015, hasn't yet succeeded, having mopped up only about 2% of the country's annual consumption so far.

The government may consider hedging against any price risks that are associated with sovereign gold bonds. The tenor of such securities from the current eight years may be reduced, and investors may get more flexibility to exit early. However, a key demand of the gems and jewellery sector to cut the import duty on gold from 10% may not be met.

Sharad Kumar Saraf, president of the Federation of Indian Export Organisations, has sought income tax relief to units which provide additional employment in the export sector. "Incentives may be provided based on twin criteria of incremental growth in exports and incremental growth in workers so that while on the one hand exports are increased, on the other, the employment intensive units also get a boost," he added. If GDP has to grow at 8% or more, exports have to accelerate at over 15% a year, he added.

Having grown at 9% in FY19, merchandise export growth collapsed to just 0.6% in April and 3.9% in May. Citing persistent risks from a global trade war, the IMF has trimmed its 2019 trade growth forecast by a sharp 60 basis points to 3.4%, against the actual rise of 3.8% in 2018. This will weigh on the prospects of Indian exports.

As for employment, the NSSO's first annual survey on employment suggested that joblessness rose to a 45-year high in 2017-18, with the unemployment rate at 6.1% (although the government asserted the findings couldn't be compared with earlier data)

Source: financialexpress.com- July 03, 2019

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Several measures needed for growth of Indian technical textiles

Indian technical textile market is expected to witness substantial growth from 2016 to 2024. The government of India has launched various support schemes for textile and apparel manufacturers to make them globally competitive.

The schemes target technology up-gradation, infrastructure development, export promotion etc. Various state governments have also announced their textile policies aimed at attracting investments in their states.

However, several measures still need to be undertaken and prioritised to facilitate the growth of the overall technical textile industry in India and help in the growth of India as a global manufacturing hub.

Some of these measures include: establishing regulatory norms for mandatory usage of technical textile items in specific industries to increase their consumption, developing exclusive HSN codes for identifying high growth products for further development, establishing and implementing Indian standards for developing high quality products of global acceptance, improvement of operational standards, focus on training and education and creating end user awareness for increasing domestic demand for high end technical textile products.

Besides the above measures, few specific measures need to be undertaken for developing India as a global manufacturing hub including measures to attract investments from domestic and global players, forming partnerships with global players for acquiring technical know-how, the creation of mega parks to attract large-scale investments and focus on R&D initiatives.

Source: fashionatingworld.com- July 03, 2019

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Crop production decreases in Guj, hints socio-economic review

The socio-economic review of Gujarat for 2018-19 has indicated a significant decrease in the production of foodgrains, cotton and oilseeds during the previous fiscal with weak monsoon being stated as one of the reasons.

"As the state received a total 638 mm of average rainfall, that is just 76.73 per cent of the annual average rainfall in the state," as per the survey tabled in the Legislative Assembly Tuesday.

Production of foodgrains during 2018-19 is estimated at 66.91 lakh tonnes compared to 76.61 lakh tonnes of last year, which shows a reduction of 9.7 lakh tonnes in one year, as per the data.

As per the review, there was a sharp decrease in the the production of oilseeds.

"The production of oilseeds was estimated at 35.10 lakh tonnes during the year 2018-19 against the production of 61.43 lakh tonnes during the year 2017-18, which is a dip of 26.33 lakh tonnes in one year," it stated.

As per the review, Gujarat is the largest producer of cotton, groundnut, condiments and spices in the country.

However, groundnut production was almost half in the last fiscal as compared to its previous year.
While the production of groundnut was 40.66 lakh tonnes in 2017-18, it came down to just 20.36 lakh tonnes in 2018-19, as per the data.

Similarly, cotton production was also hit during the last fiscal.

"During the year 2017-18, the production of cotton bales, each of 170 kg, was 101.13 lakh bales, which decreased to 50.53 lakh bales during 2018-19," as per the survey.

Source: business-standard.com - July 03, 2019

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India to revise customs rules

India may revamp its customs duty regime, weeding out some exemptions and correcting inverted duty structures in order to encourage exports.

An inverted structure is one in which the import duty on finished goods is lower than that on the materials or parts that go into making such a product, thus acting as a disincentive for local manufacture.

There will be a review with respect to encouraging domestic manufacturing. Sectors such as telecom, metals, batteries and chemicals for electric vehicles could see changes.

Earlier duties were imposed on smart phones and telecom equipment and enhanced.

A comprehensive review may now be undertaken that could lead to a reduction of duties on some critical inputs used in the manufacture of phones while raising them on finished products to further encourage domestic manufacture of handsets.

Companies which have established assembly lines will be asked to locate their entire manufacturing chain in India.

Procedures for exporters and importers will be simplified. There is a move to anonymous assessment, aimed at greater efficiency and transparency in functioning.

Single-window clearance has already been put in place for traders. Measures to boost exports, including tax refunds, are also on the anvil. Provisions to check tax evasion will be tightened.

Source: fashionatingworld.com- July 03, 2019

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FIEO proposes Export Development Fund for MSMEs in Union Budget

The organisation also said the Union Budget should encourage domestic manufacturing with a focus on imports substitution.

The Federation of India Exporters Association (FIEO) on Tuesday urged the government to announce various measures such as employment-linked income tax benefits and an Export Development Fund with a corpus of 0.5 percent of export value for Micro, Small and Medium Enterprises (MSMEs) in the upcoming Union Budget 2019.

For small exporters, it said marketing and showcasing of their products in global markets require substantial expenditure and the current support extended through various schemes is grossly inadequate.

"We require an export development fund with a corpus of 0.5 per cent of export value, so that MSMEs aggressively participates in international exhibitions and trade shows," it said.

Further, the organisation said the Union Budget should encourage domestic manufacturing with a focus on imports substitution.

Last month, MSME Minister Nitin Gadkari had said that the MSME sector offers huge potential and the government is ready to come out with special policies to promote import-substitute products.

FIEO also demanded tax deduction on R&D investments, cut in corporate tax, reducing customs duty on capital goods which are not produced in the country, and higher budgetary allocations for the Department of Commerce in the Union Budget due to be presented by Finance Minister Nirmala Sitharaman on July 5, 2019.

Incentives should also be provided based on twin criteria of incremental growth in exports and workers, FIEO said. "On customs front, the instances of inverted duty structure needs to be looked into," it added.

When the Interim Budget was presented by then-Finance Minister Piyush Goyal in February 2019, he allocated the MSME sector an all-time high Rs 7011.29 crore and also announced an interest subvention scheme for

MSMEs, adding that interest relief would be calculated at two percent points per annum for loans up to Rs 1 crore.

Source: yourstory.com- July 02, 2019

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'Amend FTA to end dumping from Bangladesh'

China is misusing the Free Trade Agreement (FTA) to divert its cheap fabric via Bangladesh into India

Surat: The Federation of Gujarat Weavers Welfare Association (Fogwa) has convened a meeting of powerloom weavers to discuss dumping of polyester fabric from China via Bangladesh.

Office bearers of Fogwa said that the dumping of such cheap fabric from Bangladesh has affected India's powerloom sector to a great extent as the weavers are unable to compete against the cheap China-manufactured fabric.

Powerloom weavers said that quality of China fabric is at par with that manufactured in Surat, but prices are almost 20% cheaper. Thus, weavers are unable to compete against the foreign fabric which is pushing down demand for Surat fabric.

President of the association, Ashok Jirawala said, "Bangladesh enjoys duty-free and quota-free entry under an agreement by the central government. However, China is misusing the Free Trade Agreement (FTA) to divert its cheap fabric via Bangladesh into India. This is hurting the domestic powerloom industry to a great extent. We urge the central government to amend the FTA agreement in order to safeguard our own trade."

Jirawala further said that the powerloom weavers have unanimously decided to meet finance minister Nirmala Sitharaman after the Budget session to apprise her on the dumping issue.

Source: timesofindia.com- July 04, 2019

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HGH India unveils 'Beyond Shapes' –The Home Fashion Trends for 2019-20

HGH India 2019, India's largest trade-show in the home textiles, home décor, houseware and gifts category recently launched 'Beyond Shapes' - the latest trends forecast in home fashion and lifestyle at a press conference in Mumbai.

The book designed exclusively for trade visitors and professionals showcases the latest trends and insights which will help the industry to cater to the needs of the consumer. The trends are forecasted by an experienced European design team based on their intenseresearch and expertise in the India market.

HGH India unveils Beyond Shapes The Home Fashion TrendsThe Trends Book was unveiled by Arun Roongta, Managing Director, HGH India, Dr Geert Bottger, Director, HGH India and Dr Alokendr a Banerjee, Chief Executive Officer - Retail, The Bombay Dyeing & Manufacturing.

The Trends will also be showcased at HGH India 2019 to be held from July 02-04, 2019 at the Bombay Exhibition Center. Beyond Shapes - Universal Future captures the essence of future in the Home products industry. The inspiration comes from the necessity to find our individual place in this world.

In the future, a ludic and free commitment is expected; fashion and lifestyle will be bright and colourful. The Trends will showcase courageous individualism, new handling of resources, new materials, slow food & slow fashion.The overarching theme for this year's trends is "Beyond Shapes – Universal Future".

These trends are an assimilation of in-depth research of strongly emerging colours, designs and materials for the year 2019-20. It depicts comprehensive design directions to create or source new collection. With one of the youngest populations in the world, Indian market is bound to be largely influenced by the lifestyle, taste and preferences of its consumers. These educated, extrovert, technology savvy, financially affluent and influenced by high international and social media exposure, want a blend of modern and traditional ethnic products in their home.

Source: fashionatingworld.com- June 29, 2019

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B K Birla, Karmayogi industrialist who lived a Gandhian life

Basant Kumar would make it to office by 8:45 a.m. every single day till his mid-90s, even when all he wanted was to focus on his hobbies, the Birla Academy and the Sangeet Kala Mandir

Basant Kumar Birla who transformed a cotton and textile group into a diversified business empire breathed his last in Mumbai on Wednesday. He was 98.

The youngest son of the legendary Ghanshyam Das Birla, father of Aditya Vikram Birla and grandfather of Kumar Mangalam Birla, Basant Kumar is survived by his daughters Manjushree Khaitan and Jayashree Mohta.

Known as a perfect gentleman in industry circles, Basant Kumar was mourned by many.

West Bengal Chief Minister Mamata Banerjee tweeted, "Saddened at the passing of noted industrialist Basant Kumar Birla Ji. His contribution to education, through various trusts and institutions, is paramount. My condolences to his family, colleagues and friends."

Industrialist Harsh Goenka tweeted: B K Birla was a statesman of the business community, a visionary entrepreneur, a philanthropist, an educationist, a karmayogi for whom work was worship. He lived a Gandhian life leaving behind a fantastic legacy.

Sanjiv Goenka said, "B K Birla was a doyen. He led transformational thoughts in Indian industry. The Goenka family and the Birla family have cherished very close relationships over decades and generations and to all of us in the family, it's a huge loss."

Basant Kumar got involved with the family business at 16. At 25, father, Ghanshyam Das handed over the reins of Kesoram Cotton Mills. Degrees were for employment and Basant Kumar, though he had joined Presidency College, never completed the course as East came calling.

Elder brother L N Birla was travelling to Burma and other countries, and wanted Basant Kumar to join. But Birla had his exams in two weeks. The dilemma was finally settled when father Ghanshyam Das asked him, whether he wanted to be a clerk. It was the second time that someone from the Birla family was travelling abroad.

Diversification was in his DNA and Basant Kumar grew the group into a diversified empire across cement, tea, textiles, tyre sectors. From a cotton textile mill under Kesoram Cotton Mills, business interest expanded into rayon followed by cement and tyre. Ghanshyam Das too had diversified from the ancestral pawn business into manufacturing and set up a jute mill in Bengal and bought an old cotton mill in Delhi.

Century Textiles and Industries was a shining example of a successful diversification by Basant Kumar. From a single textile entity, under Century Spinning & Manufacturing Company, it was transformed into a powerhouse with interest in cement, pulp and paper and real estate.

In 1987, to reflect different industrial activities of the company, it was renamed Century Textiles and Industries, that today has revenues of around Rs 4,000 crore and a profit of Rs 681 crore.

Basant Kumar also weathered the transition from the days of the licence raj and permits to liberalisation. He had once said that the pre-liberalisation days were tough as corruption had set in after the first couple of years since independence and it was only once everything was de-controlled that companies started expanding.

But even as Basant Kumar expanded his companies, his was a cautious and meticulous approach. And till his health supported him, Basant Kumar would make it to office by 8:45 in the morning every single day. That hadn't changed till about four years back even when all he wanted was to focus on his hobbies, the Birla Academy and the Sangeet Kala Mandir.

Source: business-standard.com- July 04, 2019

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Trade exports from Gujarat accounted for 20.1% of India's total 2018-19 exports

Trade exports from Gujarat accounted for 20.1% of India's total 2018-19 exports

FE BUREAU
Ahmedabad, July 3

TRADE EXPORTS FROM Gujarat during the fiscal 2018-19 stood at $59 billion, accounting for 20.1% of India's total exports as per the Socio-Economic Review (SER) tabled in the House by the Gujarat government during the ongoing monsoon session of the Gujarat legislative assembly.

The SER claims that Gujarat stood second in the country in the total trade exports from India. These encouraging exports data were largely due to increase in value of output during 2016-17 which jumped to ₹12.22 lakh crore from ₹11.54 lakh crore in 2015-16. During the period, number of factories have increased from 24,426 to 25,966, or 6.30%.

At an all-India level, Gujarat's share in the number of factories remained at 11.06% and number of employees at 10.96%. As far as fixed capital, value of output and addition of net values are concerned the state share was 19.84%, 16.82% and 14.44% respectively at the national level.

According to the Department of Promotion of Industry and Internal Trade (DPIIT) total FDI in the state reached $20.545 billion during April 2000 to March 2019, which is around 5% of over all FDI inflows in India.

Additionally, as per the report the state-owned 46 intermediate and minor ports in Gujarat handled 3,991 lakh tonne of cargo during the year 2018-19 which is 7.24% higher than the previous year. In the year 2017-18, these non-major ports managed by Gujarat Maritime Board (GMB) handled 3707.60 lakh tonne of cargo. Gujarat-based private ports handled 1,953 lakh tonne of cargo during 2018-19 compared to previous year's 1,720 lakh tonne.

Highest cargo of 1,301.30 lakh tonne was handled by Adani Ports & SEZ situated at Mundra in Kutch district during the period. The Adani group-owned port had handled 1157.60 lakh tonne of cargos in the year 2017-18. Other private ports including Gujarat Pipavav Port (GPPL), Gujarat Chemical Port Terminal Company (GCPTCL) and Petronet LNG handled cargos worth 103 lakh tonne, 64.76 lakh tonne and 161.19 lakh tonne respectively. Another three private ports including Adani Petronet (Dahej) (APPL), Hazira Port (HPPL) managed by Shell Gas, and Adani Hazira Port (AHPPL) have handled 90.3 lakh tonne, 40.26 lakh tonne and 191.07 lakh tonne, respectively during the period.

Apart from these state owned and private ports, nearly 34 captive jetties have handled 1709 lakh tonne of cargoes compared to previous year's 1676.97 lakh tonne. Of these jetties, some of the jetties have been granted to port-based industries on BOMT (built, operate, maintain and transfer) basis.

FINANCIAL EXPRESS READ TO LEAD Thu, 04 July 2019
epaper.financialexpress.com/c/41034386

Source: financialexpress.com- July 04, 2019

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Govt extends parched farm sector higher MSP manna

Hike in floor price of kharif crops ranges from 1-9 per cent

With the monsoon playing truant, the Union Cabinet on Wednesday tried to alleviate the suffering of farmers by announcing new floor prices for major kharif crops. The hike in minimum support price (MSP) announced ranged from 1 per cent to 9 per cent.

Agriculture Minister Narendra Singh Tomar, who briefed the media along with Information and Broadcasting Minister Prakash Javadekar, about the Cabinet decisions, said the Centre is concerned about the delay in the arrival of monsoon and its coverage and is already holding discussions with the State governments on various remedial measures to be taken.

While the floor price of common paddy would go up by ₹65 to ₹1,815 per quintal as per the hike announced on Wednesday, the MSP of soyabean has been increased to ₹3,710 per quintal from last year's ₹3,399. Among other crops whose floor prices have seen substantial increase are sunflower — up ₹262 to ₹5,650 per quintal; ragi — up ₹253 to ₹3,150 per quintal; and sesamum — up ₹236 to ₹6,485 per quintal.

However, the MSP of pulses has been raised only marginally: the MSP of moong was hiked by ₹75 to ₹7,050 per quintal, urad by ₹100 (₹5,700 quintal) and tur by ₹125 to ₹5,800 per quintal. The MSP of cotton too has gone up marginally: while cotton (medium staple) would now command a floor price of ₹5,255, an increase of ₹105, better quality cotton (long staple) would get a floor price of ₹5,550, which is ₹100 more than in the previous year.

The Cabinet also increased the MSP of bajra, maize and jowar by ₹50, ₹60 and ₹120 to ₹2,000, ₹1,760 and ₹2,550 per quintal, respectively. The MSP of groundnut is hiked by ₹200 to ₹5,090 per quintal.

Tomar said the increase in MSP rates would not only assure remunerative prices to farmers, but would also help increase investment in agriculture and thereby, production. While the MSP of all crops are more than 50 per cent of the production cost, farmers would get the highest percentage of return on bajra (85 per cent), followed by urad (64 per cent) and tur (60 per cent), he said.

'Govt should buy enough'

"While the increase in MSP rates announced for various crops are nominal, there is not much to criticise. But what is more important is to make sure the government buys grains in sufficient quantities on time so that market prices do not fall below the MSP rates," said Avik Saha, national convenor of Jai Kisan Andolan.

There is also an urgent need for the government to extend sufficient funding to the Food Corporation of India, whose debts have mounted to more than ₹1 lakh crore, Saha said.

Source: thehindubusinessline.com- July 03, 2019

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