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IBTEX No. 153 of 2019 August 05, 2019

US 70.35| EUR 78.22 | GBP 85.23| JPY 0.66

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20766	43400	**78.40**
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20110	42030	**75.93**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	59.42
ZCE Cotton: Yuan/MT (September 2019)	12,735
ZCE Cotton: USD Cents/lb	83.23
Cotlook A Index – Physical	**73.40**

Cotton Guide: Did anyone imagine that we would see a figure of 59.42 cents/lb as a closing figure?

Did we ever think that prices would be halved in just about a year's time?

Did we ever imagine about the drastic ramifications of a trade war?

Yes, Friday witnessed a closing figure of 59.42 cents/lb. Cotton prices fell over 500 points in the last week, highest ever fall in three years. A year ago these figures were in the late 80's.

Market reaction has been very volatile although fundamental cue related to supply for the upcoming season is indicating higher while demand is projected stable pulling the global underlying price lower.

However, the US China talks and Mr. Trump's statement related to imposing tariffs have been quite erratic and startling. The recent statement of imposing additional 10% tariff by September 01, 2019 on the $300 billion worth of Chinese Goods is coming into the US is riding cotton prices significantly lower. What we have understood from the prevailing conditions is that, the prices are facing strong headwinds and are possibly marching toward the 58 cent mark if not 56.

The open Figure of Monday Morning will be crucial. While we write this report on Sunday Night we are contemplating on the following factual situations:

A. On the International Front:

1. Good Crop is projected for 2019-2020.
2. Production is set to increase throughout the globe.
3. US Government has chalked out a method where the Farmers will be compensated for the losses they have had to incur due to the prevailing Trade Tensions.
4. Prices of competing Fibers are declining.
5. Overall World GDP growth is set for a decline.
6. China GDP growth has slowed down to a 27-year low in second quarter.

B. On the Domestic Front:

1. As per the statistics dated August 01, 2019, acerage in India has increased by roughly 5 percent.
2. Indian Mills are having a stock of 1 month, with imports still scheduled to arrive in September.
3. Rains have arrived thus reducing water shortages of the peninsula.

The sentiments are bearish on the whole.

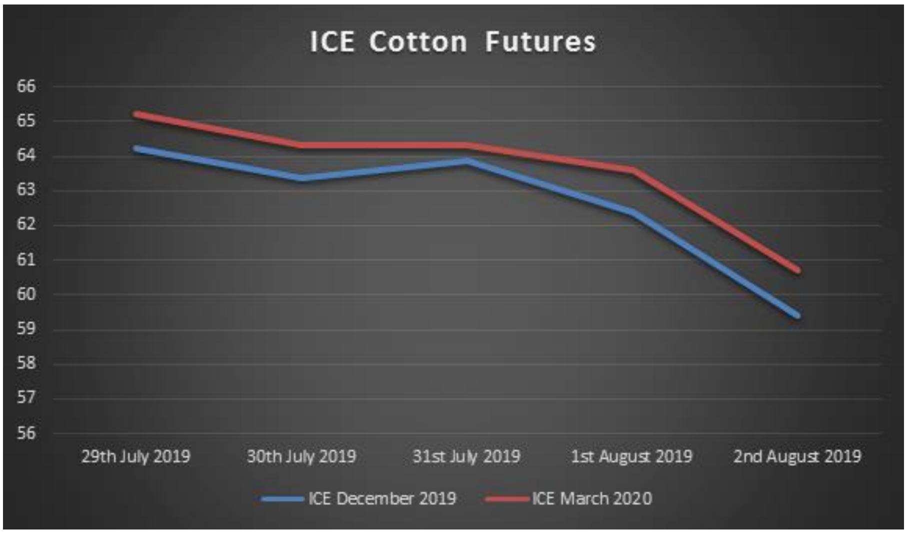
We have been very pessimistic on our view and are mostly maintaining the negative view on the cotton prices from the past three months. We think weakeness in trend onto lower side should maintain until late September /mid October of the season during the harvesting season of cotton. In fact the seasonal trend depicts cotton prices tends to remain lower during end of October and thereafter it starts rebounding gradually higher.

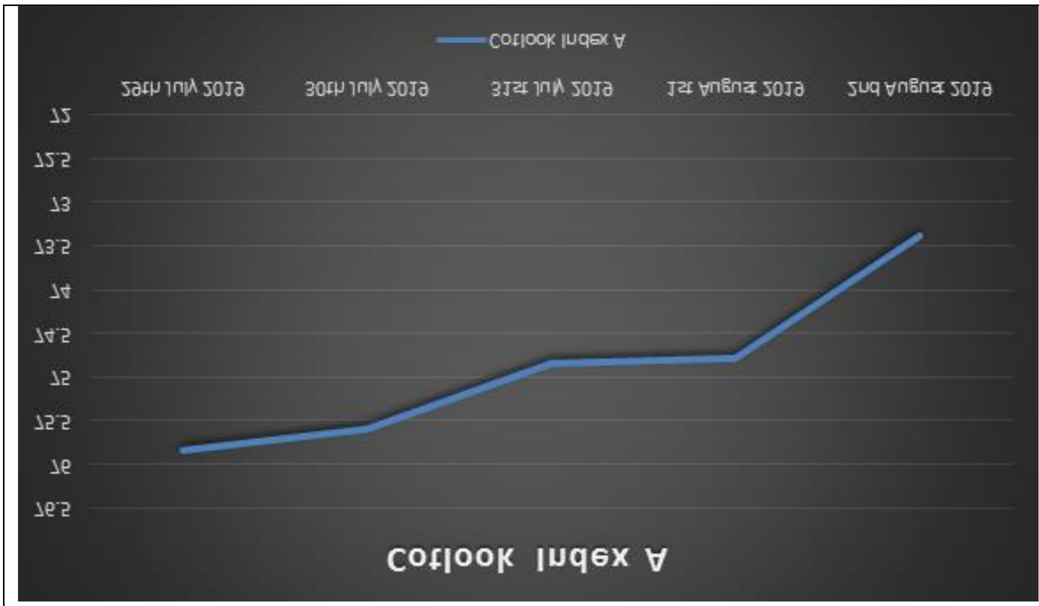
In this context we have done a study on MCX cotton price for the past 5 years. Data shows that despite ever year Indian Government hikes the Cotton Minimum Support Price (MSP), physical cotton as well as futures trade much below it for a longer period of time. For an instance the active October Future trades at MCX is already trading at Rs 19,500 per bale and it is expected that it could fall below or near 19,000 Rs/Bale
The Cotlook Index A has been adjusted at 73.40 cents/lb with a change of -1.40 cents/lb.

Short Term Outlook:
The ICE December to trade lower in the range of 56/58 (lower side range) to 62 cents in the very near term. The medium range suggests price may remain under stress until mid or late October.

The Indian Physical cotton price might move down to 42,000 Rs/Candy in the near term and the October future at MCX may trade in the sub 19,000 Rs/Candy before fresh buying starts to come in.

ICE Cotton futures witnessed sharp fall after breaching the previous bottom and breakdown of the bearish flag pattern. Price continued to trade lower below the 5 and 9 day EMA at 61.02/61.90 with bearish cross over of 5 day EMA above 9 day EMA. The weakness in price also supported by weaker RSI. RSI in the daily charts RSI is hovering below 30 zone suggesting downward trend. Meanwhile, strong support exists around 58.00 and resistance exists around 61.30. So for very near term price is likely to remain in the range 58.00-60.50 with sideways to bearish bias. However only close below 58.00 would weaken further towards 57.40-56.80. On the upside immediate resistance exists around 60.50, followed by 61.30. In the domestic market MCX Aug future is expected to trade in the range of 19770-20210 with downside bias.





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

Global cotton prices down 26% on weak demand

According to ICAC's assessment prices will remain under pressure as production is set to outpace consumption

Cotton prices are likely to slide further amid gloomy prospects for global consumption. Global cotton prices have already corrected by close to 26 per cent in the past one year from 99.5 cents a pound in August 2018 to 74 cents in July 2019.

In its August report, the International Cotton Advisory Committee (ICAC) has projected dim prospects for global cotton demand while production for 2019-20 is likely to increase.

Higher output

"Global cotton consumption is projected to increase by 1.7 per cent in the coming season, but if production grows by the expected 6 per cent, it will exceed consumption by about 300,000 tonnes. As a result, global stocks should swell to 18 million tonnes. Those factors, combined with tepid expectations for global economic expansion, have dimmed the hopes for next season's cotton demand," ICAC said in a statement on Thursday.

ICAC also noted that the optimism for a surge in global cotton demand for the season 2019-20 appeared to be waning. Cotton prices have been suffering from negative news since the market hit its seasonal high of 99.5 cents per pound in August 2018.

On Friday, ICE October cotton was quoted at 61.32 cents per pound, which is about 38 per cent drop from the highs.

ICAC has projected cotton production for 2019-20 at 27.2 mt(up 6 per cent from prior year), with consumption increasing 1.7 per cent to 26.9 mt .

There was hope that China and the US would resolve their trade differences at the G20 meeting held in June 2019 but there were no breakthrough even as the talks remain stalled with tariffs in place.

ICAC noted that at 5.9 mt, China is expected to remain the world's largest producer in 2019-20, topping India's projected 5.75 mt.

West Africa, meanwhile, is expected to see its production hit an all-time high of 1.3 mt.

Source: thehindubusinessline.com- Aug 02, 2019

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New Trump tariff hits Asian exporters dependent on US consumers

U.S. President Donald Trump's latest trade war salvo shook stock markets across Asia as businesses weighed the potential costs and opportunities resulting from a new American tariff on $300 billion worth of Chinese exports.

As markets tumbled, business across the region were contending with the latest escalation of trade tensions. Set to take effect on Sept. 1, the new 10% U.S. tariff will fall on a range of Chinese-made consumer goods including mobile phones, laptop computers, clothing, shoes and toys.

Jasen Wang, CEO of Shenzhen-based robotics company Makeblock, worries that the higher tariffs would hamper his company's growth in the U.S., one of its most important markets for its educational toys.

"There will be impacts on our sales, particularly to American families and smaller retailers," Wang said, without elaborating. "We are still evaluating the situation," he said.

Shares in Apple Air Pods supplier Goertek fell about 6% in Chinese trading, while major laptop maker Lenovo Group dropped nearly 5%.

The force of the tariffs will spread through Asian supply chains. Thailand, a major supplier of components and materials to Chinese manufacturers, will feel the impact.

"The falls in Chinese electronics exports to the U.S. mean a drop in Thai exports, too," said Pimchanok Vonkorporn, director general of the Thai Commerce Ministry's trade policy and strategy office.

Quickly finding alternate suppliers will prove a challenge, and American importers may have little choice but to keep procuring from China even if it means paying the extra tariffs

The Development Research Center, a think tank under China's State Council, has compiled an index of the difficulty of finding alternate sources for products. The lower the figure, the greater the obstacle.

Goods affected by the first, second and third rounds of U.S. tariffs averaged 0.54 on the index, while products in the latest round averaged 0.31.

Relocating production to avoid the new duties is not an option for many manufacturers after the latest tariff, said one supply chain executive. "It is a very tricky number, as it is not too high, but it is not low," he said. "The logistics and other additional costs could easily be higher than the 10%."

But Singapore-based YCH Group, one of the region's bigger players in supply chain management, said it was preparing for a fundamental shift in the flow of parts and materials.

Meanwhile, "we are anticipating the continuous growth of the China-ASEAN trade even amid global growth slowdown and uncertainties," a company spokesperson also said.

Changes in trade flows have produced bright spots for some economies caught in the tariff crossfire.

The Southeast Asian bloc ranked as China's second-largest trading partner in the first half of 2019, the spokesperson said, overtaking the U.S. for the first time since 1997.

In Indonesia, the textile industry is hoping for some benefit from the U.S.-China standoff. Ade Sudrajat, chairman of the Indonesian Textile Association, said the sector could see a rise in textile and garment exports to the U.S. after a recent agreement to increase cotton imports into Indonesia.

In Taiwan, some suppliers have brought mainland Chinese production back home under pressure from U.S. customers concerned about security. The output of servers-related products in Taiwan surged 400% in the first six months of this year, government data shows.

Thai food exports to the U.S. are expected to rise significantly under the new 10% tariff, replacing Chinese-made products that face upward pressure on prices, Thai trade official Pimchanok said.

The electronics industry is wary of further trade pressures, especially with the tensions now spreading to Japan and South Korea. Japan this week excluded South Korea from its so-called white list of preferred trading partners, prompting Seoul to say it would respond in kind.

"We dare not to be too optimistic about the outlook for the remaining of this year, because the trade war uncertainties are too high," said Scott Lin, vice president of marketing management at leading Asian electronics distributor WPG Holdings.

Rajiv Biswas, Asia Pacific Chief Economist at IHS Markit said the electronics sector was "particularly vulnerable" to the latest escalation. "With the electronics sector already suffering from a significant slowdown in new orders, this latest round of tariff hikes will be a further negative shock to China's electronics sector and the manufacturing supply chain," he said.

Companies must also contend with greater uncertainty as the U.S.-China trade war drags on. Tung Tzu-hsien, chairman of iPhone assembler Pegatron, said the tensions were now the "new normal."

Source: asia.nikkei.com- Aug 03, 2019

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US remains largest importer of Vietnam in seven months

The US was the largest importer of Vietnam in the first seven months of 2019 with a turnover of US$32.5 billion, a year-on-year surge of 25.4 percent, according to the Ministry of Industry and Trade.

The European Union came second with US$24.3 billion, up 0.4 percent against the same period last year. China followed with US$20 billion, rising 0.1 percent year-on-year.

Vietnam earned US$145.13 billion from shipping goods abroad in the period, a year on year increase of 7.5 percent.

The growth in export value was mainly contributed to by 24 'billion dollar' goods items, which accounted for 88.1 percent of total export revenue.

Telephones and spare parts were the largest earners with US$27.3 billion, or 18.8 percent, followed by electronics, computers and spare parts, and garment and textiles.

Meanwhile, shipments of vegetables and fruits, coffee and cashew experienced a fall compared to the same time last year.

Also in the period, Vietnam splashed out US$143.34 billion on imports, up 8.3 percent year on year. Of the sum, some US$60.83 billion was spent by the domestic economic sector, up 12.6 percent, and US$82.51 billion by the foreign-invested sector, growing 5.3 percent.

There were 28 goods items seeing import value of more than a billion USD, making up 85.8 percent of total purchase from foreign countries, including electronics, computers and spare parts, and machines and equipment.

Most of the goods were bought from China, the Republic of Korea and ASEAN countries.

As a result, the country recorded a trade surplus of US$1.8 billion in the first seven months of the year.

In July alone, the country booked an export value of US$22.6 billion, up 5.5 percent month-on-month, while imported goods worth US$22.4 billion, a rise of 14.9 percent against the previous month.

Source: sggpnews.org.vn- Aug 04, 2019

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Pakistan seeks Korean investment in CPEC projects

ISLAMABAD: Adviser to Prime Minister on Commerce, Textile, Industries, Production and Investment Abdul Razak Dawood has urged South Korean companies to participate in China-Pakistan Economic Corridor (CPEC)-related projects and has also proposed the establishment of an exclusive economic zone for Korean companies as part of CPEC.

He invited Korean investors at the Pak-Korea CEO Forum held in Seoul where representatives of top Korean companies were present. Dawood headed a delegation of top players of the textile industry during the visit to South Korea. The visit has now concluded. Speaking at the forum, the PM adviser urged Korean companies to invest in Pakistan because of its improved global ranking in the Ease of Doing Business Index, which went up 11 points.

'Pakistan to welcome Commonwealth partnership in SEZs on CPEC route'

Moreover, he said, Pakistan had launched a programme titled Regulatory Guillotine to improve business regulations in an attempt to attract investment into the country. Through this programme, two to three regulations were being scrapped every month to streamline business activities. He added that Pakistan government had taken various effective steps to improve trade procedures by establishing a better trade facilitation regime.

During the trip, the PM adviser also met his Korean counterpart and deliberated the challenges and opportunities in order to enhance bilateral cooperation in trade and investment.

He emphasised that there was enormous potential for bilateral trade and investment, which needed to be exploited by both countries.

The adviser also held meetings with heads of private-sector organisations in an effort to draw investment. In order to enhance bilateral trade, the PM aide offered the Early Harvest Programme to his Korean counterpart, which may lead to a free trade agreement (FTA) between the two countries.

He also asked his counterpart to hold a meeting of the Joint Trade Committee at the earliest in order to address the trade issues and facilitate trade. The Korean minister agreed to organise the meeting by the end of current year. The minister said big companies of South Korea were interested in investing in different projects of mutual interest, pertaining to manufacturing of technology equipment.

No CPEC document shared with IMF: govt

"Businessmen are very much interested in making investment in Pakistan due to huge investment opportunities and intend to engage in constant interaction with the business community for better understanding of the investment regulatory regime in the country," the Korean minister said.

Both sides agreed to remove trade and investment bottlenecks in order to enhance bilateral economic cooperation. South Korea will also send a buying mission of importers to Pakistan in coming months.

Source: tribune.com.pk- Aug 04, 2019

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Vietnam: EVFTA brings benefits, challenges to apparel sector

The garment-textile sector will gain significant benefits but, at the same time, face several challenges brought about by the EU-Vietnam Free Trade Agreement (EVFTA) once it takes effect, experts said at an online conference on August 2.

Luong Hoang Thai, Director of the Ministry of Industry and Trade (MoIT)'s Multilateral Trade Policy Department, highlighted the potential advantage.

He said that all tariff imposed on garment-textile products will gradually go down to zero percent, with 77 percent of the goods seeing their tariff immediately eliminated right after the pact comes into force.

The EU is the top apparel importer in the world and the second biggest import market of Vietnam's garment-textile products, he added.

Nguyen Thi Thu Trang, director of the World Trade Organisation (WTO) Integration Centre at the Vietnam Chamber of Commerce and Industry (VCCI), said the sector's shipments to EU reeled in 5.6 billion USD in revenue.

She said the figure was high but accounted for only 2.02 percent of the bloc's total value of garment and textile imports, adding that this means room for growth remains extensive.

Chairman of the Vietnam Textile & Apparel Association (VITAS) Vu Duc Giang pointed to a shortage of supplies, as the sector needs to meet the agreement's requirements for product origin.

He also spoke about difficulties facing firms that want to invest in fabric dying but are being rejected by localities over environmental concerns.

Giang told local authorities not to worry and explained that foreign partners have strict requirements for environmental protection and wastewater treatment technologies in the world have reached an advanced level.

He asked the MoIT to announce at an early date a list of tariff lines applied for different types of garment-textile products.
The VITAS will organise workshops to update relevant information for businesses in the sector.

Source: en.vietnamplus.vn- Aug 02, 2019

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Xinjiang sees growing foreign trade with SCO member states

Northwest China's Xinjiang Uygur Autonomous Region has seen 107.93 billion yuan (about 15.56 billion U.S. dollars) of imports and exports to member states of the Shanghai Cooperation Organization (SCO) in the first half of 2019.

In the period, Xinjiang's exports to the SCO member states reached 65.41 billion yuan, up 4.3 percent year on year, while its imports totaled 42.52 billion yuan, up 13 percent, according to Urumqi Customs.

The main exports to SCO member states via Xinjiang are mechanical and electrical products, textiles, clothing and footwear, while crude oil and natural gas are the main import commodities.

The major trading partners of Xinjiang ports to SCO member states are Kazakhstan, Russia and Kyrgyzstan. The inland port of Alashankou and the Horgos Port in Xinjiang are the major trading ports, according to the customs.

The SCO was established in 2001 by China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. India and Pakistan joined as full members in 2017.

Source: xinhuanet.com- Aug 04, 2019

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Taking full advantage of AGOA

Nigeria has not been able to take full advantage of the Africa Growth Opportunity Act (AGOA) since its introduction in 2000. The AGOA was a piece of legislation introduced by the United States (US) congress for close to two decades now to promote trade in some goods between African countries and the US.

Speaking on the subject at a recent briefing in Lagos, the US Trade Representative for Africa, Constance Hamilton, blamed Nigeria's over-reliance on crude oil exports as responsible for the country's inability to fully benefit from the AGOA initiative.

The country's notorious mono-product culture has been well-known. Since the discovery of oil in the country in 1958, the leadership has abandoned the developmental strides and initiatives of the pre-colonial and early independence years to concentrate on crude oil exports and what it can afford the country. Referred to cynically as the "black curse," the country's reliance on crude oil proceeds has denied her the opportunity to realise her vast economic potentialities.

The lost opportunities have been so stark over the intervening decades so much so that the need to diversify the economy has become a sing-song. Unfortunately, the political will to implement the policies and programmes by successive administrations has been missing largely. This has left most of the African countries with huge imbalances with their trading partners. Whether the trade is with Europe or US the story is the same.

A cursory look at the 2017 data, for example, showed that the US trade deficit with sub-Saharan African countries stood at US$10.8bn, with goods exported from the US at US$14.1bn and imports into US at US$24.9bn. On the surface, it would look like it is to the advantage of Africa, but in reality, it is not because most of our exports to the US are raw materials, especially crude oil. There is a huge trade imbalance as we import mostly finished products, high tech equipment and skilled manpower from America. In terms of value-added therefore there is a huge gulf.

Realising this gap, the AGOA was apparently formulated by the US government to give African countries an increased access to the US market. While countries like Kenya, Botswana, Ivory Coast and the rest have taken advantage of the opportunity to expand their trade, Nigeria has been lagging behind. The AGOA currently has over 1,800 products in primary metals, petroleum and coal products, agriculture and horticulture, chemicals, including clothing and textiles listed, but the country has not been able to maximise the opportunities that abound.

This is a very sad development, given that African countries have the capacity to produce the listed products. Presently, Nigeria is the world's leader in yam and cassava cultivation. It is also very strong in the production of other agricultural products such as maize, sorghum, groundnuts and vegetables. But these products have not been harnessed for local consumption and export. To qualify for export, and especially in the AGOA Act, it is stated that the intending products must meet with local processing (Rules of Origin) as well as customs requirements. This is where the country has failed.

The local farmers and manufacturers have ignored the stringent export conditions. Only last year, the opportunity to export yam tubers to the US was wasted as the products were rejected for non-compliance. To achieve the requirements, farmers who grow the export products have to work with agriculture extension services officers from planting to harvest. The right and acceptable chemicals, pesticides and herbicides have to be used and in the right measures to ensure strict compliance. Even after harvest, storage, packaging and branding in accordance with the requirements of the importer have to be adequately met to ensure acceptance when they finally arrive at the port of destination.

Nigeria has the capacity to meet these requirements and must work very hard to meet them. AGOA and similar trade opportunities have not been fully unexploited.

Source: sunnewsonline.com - Aug 02, 2019

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NATIONAL NEWS

GST collection beats estimates, reaches ₹1.02 lakh crore in July

Collection grows despite slowdown in industrial activity

Beating all expectations, collections from the Goods & Services Tax (GST) reached over ₹1.02 lakh crore in July. So far, in three out of four months during the current fiscal year, the collection has been more than ₹1 lakh crore.

According to a Finance Ministry statement, the July collection is nearly 6 per cent more than in the corresponding month last fiscal. During the April-July 2019 period, the domestic component has grown 9.2 per cent over the year-ago period while the GST on imports has come down by 0.2 per cent. The total collection for the period rose 6.83 per cent.

Out of the total collection, ₹17,789 crore has been released to the States as GST compensation for the first two months of the current fiscal year.

Out of the total collection, CGST is ₹17,912 crore, SGST is ₹25,008 crore, IGST is ₹50,612 crore (including ₹24,246 crore collected on imports) and Cess is ₹8,551 crore (including ₹797 crore collected on imports). The total number of GSTR 3B Returns filed for June up to July 31, 2019 is 75.79 lakh.
Auto sector in slow lane

Interestingly, collections grew despite industrial activity slowing down. For example, the automobile sector has been in the slow lane for almost a year, while the core sector (eight key industrial sectors such as steel, cement, electricity etc that make up more than 40 per cent of the index of industrial production) slowed down to a 50-month low in June.

However, the government has not given sectoral details of the GST collection, making it difficult to ascertain what has driven the growth. Finance Ministry officials said that one of the reasons for the increase in collection could be anti-evasion measures.

They said concerted efforts have been made to improve tax compliance.

Extensive automation of business processes, application of the e-way bill mechanism, targeted action on compliance verification, enforcement based on risk assessment and the introduction of an electronic invoice system are among the steps aimed at increasing revenue collection.

Source: thehindubusinessline.com- Aug 02, 2019

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Worry in India as cotton prices take a hit in US-China trade war

During the last business session on the country's largest futures market Multi Commodity Exchange (MCX) on August 2 (Friday), the August contract closed at Rs 20,060 per bale (Rs 170 kg) with a 2.48 percent or Rs 510 fall over the previous session.

In the ongoing trade war between China and the US, cotton prices have taken a hit of more than 32 percent in the international market in the past one year. And the crash in prices in the global market has reflected in the domestic market, with the Indian futures market recording a 16 percent fall in cotton prices.

"The US-China trade war has badly affected the Indian cotton market. The US is the world's biggest cotton exporter and China its bigger consumer. The tussle between these two big business partners has hurt cotton market across the world, including India, which is the world's largest cotton grower," said Arun Shekhsaria, Director, DD Cotton Private Limited.

"Chances of recovery at present are few. So we expect the prices in the Indian market to crash further," said Dilip Patel of Kadi (Gujarat)-based S. Raja Exports Private Limited.

During the last business session on the country's largest futures market Multi Commodity Exchange (MCX) on August 2 (Friday), the August contract closed at Rs 20,060 per bale (Rs 170 kg) with a 2.48 percent or Rs 510 fall over the previous session.

Cotton was priced Rs 23,990 per bale on the MCX on August 2, last year. Therefore, the price has seen a fall of Rs 3,930 per bale or 16.38 percent in the past one year.

According to sources, the benchmark Gujarat Shankar-6 (29 MM) variety of cotton traded at Rs 42,000-42,300 per candy (356 kg) this week against a price of Rs 46,700 and above per candy during the same period last year.

On the US' Intercontinental Exchange (ICE) on August 2 (Friday), the December contract for cotton closed with a 2.95 cent fall of 4.73 per cent at 59.42 cents per pound. Cotton price on the ICE was 88.17 cent per pound during the same period last year. Therefore cotton prices on the ICE registered a 32.62 percent fall in the past year.

According to the Cotton Association of India (CAI), domestic cotton production during the 2018-19 (October-September) season is 312 lakh bales, while the consumption is expected to be 315 lakh bales. There's 33 lakh tonne of leftover stock, while 14.5 lakh bales have been imported.

In its July forecast, the CAI had said that the total cotton supply in the country during the season-ending September 30 may remain 376 lakh bales, which would include 33 lakh bales of remaining stock, 312 lakh bales produced and 31 lakh bales imported. Market watchers, however, add that the imports may decline. The CAI has also released a forecast of expected exports of 46 lakh bales this season.

According to figures released this week by the Union Agriculture Ministry, the country's cotton sowing area has increased by 5.35 hectare in this season against last year. Some 115.15 hectares has been sown so far this year as compared to 109.79 hectares, which was sown by this time last year.

The producers are worried. "If the cotton market continues to remain lean, the Cotton Corporation of India (CCI) may have to buy our produce at a higher minimum support price (MSP)," said Shivraj Khaitan of Salasar Balaji Agrotech.
The government has fixed the MSP of medium staple cotton at Rs 5,255 per quintal and long-staple cotton at Rs 5,550 per quintal.

Source: cnbctv18.com- Aug 04, 2019

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India to continue engaging bilaterally with RCEP members for favourable deal

RCEP Trade Ministers reiterate keenness on meeting year-end deadline for talks

India will continue to hold bilateral discussions with the 15 countries it is negotiating the mega Regional Comprehensive Economic Partnership (RCEP) agreement with, including China and the 10country ASEAN, to try and ensure that the pact, if implemented, would result in substantial market access for its goods and services.

"Indian officials had a number of intensive discussions with RCEP countries such as China, Thailand, South Korea, New Zealand, Australia, Singapore, Indonesia, Japan and ASEAN Economic Ministers at the sidelines of the Trade Ministers' meet in Beijing.

"It was made clear to all partners that India cannot be part of an agreement that would give its industry and farmers a raw deal. The discussions on what India wants from its partners and what it can give will continue," a government official said. The 16member RCEP is keen on meeting the year-end deadline for wrapping up the negotiations for the mega trade pact, but New Delhi has said that it would go for it only if its own demands, in goods as well as services, are met.

"The Ministers highlighted that as growth outlook remains overcast by rising uncertainties, it is in the region's collective interest and highest priority to conclude a modern, comprehensive, high quality, and mutually beneficial RCEP in 2019, as mandated by the 16 RCEP Leaders," according to the joint communiqué issued at the end of the two-day RCEP Ministerial meet on Saturday.

India decided to adopt an aggressive posture at the RCEP negotiations following a series of meetings that Commerce and Industry Minister Piyush Goyal and senior officials of the Commerce Ministry had with industry representatives numbering more than 500.

Chinese imports threat

“Almost all industrial sectors that were consulted, be it steel, engineering goods, pharmaceuticals, textiles, marine goods or automobiles, did not want to be part of the RCEP as they feared that competition from China could hurt them badly if tariffs were to be eliminated or slashed.

“It became very clear then that India should become part of the RCEP only if it is getting a lot of actual market access for its goods and services to compensate for the losses in the domestic market,” the official said.

In his interaction with China’s Anup Wadhawan, Commerce Secretary

Vice-Minister of Commerce Wang Shouwen, India’s Commerce Secretary Anup Wadhawan sought market access in both goods and services, including larger exports of drugs, sugar, rice, dairy, soybean, IT and other services.

During the meeting with ASEAN Economic Ministers, the Commerce Secretary stressed on the importance of services trade that supported both trade in goods and investment.

“Since services is an area where the ASEAN is reluctant to make substantial offers under RCEP, India highlighted the importance of higher ambition in the area,” the official said.

As per the joint press statement, annexes on Telecommunication Services, Financial Services, and Professional Services, have been completed, bringing a total number of seven concluded chapters and three concluded annexes, and noted that some of the remaining chapters or annexes are nearing conclusion.

“... Determined to keep the momentum towards achieving the leaders’ mandate to conclude the RCEP negotiations by the end of the year, the Ministers called on all RPCs to find pragmatic and solution oriented approaches to narrow divergence on the various remaining issues,” the statement said.

Source: thehindubusinessline.com- Aug 05, 2019

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A two-track plan to raise exports to $1 tn

For quick results, get global firms into growth sectors where we lack expertise. Besides, boost capacities of existing sectors

India's exports are currently 20 per cent of GDP. For the same share in GDP, exports should then cross a trillion-dollar mark for a $5 trillion economy. This means an almost doubling of the current $537 billion export figure (goods and services) in the next five years. What actions will take us there?

A look at the products we export and their relative importance in the world trade basket offers insights into what to do. Our current share in world merchandise exports of $18 trillion is 1.8 per cent. But this share varies for major product categories. To understand, we divide all products into two categories: A and B.

Category A products account for 70 per cent of world trade while Category B products count for 30 per cent. So any country focussing on Category A products has greater chances of raising exports. The problem is we are weak in Category A products and strong in Category B ones. And this is the core issue we need to address. A look now at the two categories.

Category A products include electronics, computers, telecom, factory machinery, and high-end engineering products. India's global share in such products is 0.4 per cent. Frankly, we have less capability in this category.

India has a high global share in Category B products such as small diamonds (19.8 per cent), jewellery (12.9t), rice (39.3), buffalo meat (19.1), shrimps (17.7), and textiles (4.5 per cent). Medicines, auto components and marine products also form part of this group.
The small size of the Category B basket limits the potential for growth. Most of the category B products, being labour-intensive and low-technology, are prone to competition from low-cost countries.

Dual paths

Both categories need different approaches to increase exports. Let us use two metaphors 'Ant's way' and 'Bird's way' to describe the distinct development path.

These come from the Varah Upanishad, which refers to the two main pathways to reach the top of a karma tree. Ant's way (pipilika marg in Sanskrit) is a slow but sure way. Bird's way (vihangam marg) is used in exceptional circumstances. Here an external force pulls a person to the top in one flight like that of a bird.

If a significant share in trade is our goal, we need to follow both the ways. Bird's way for Category A products and ant's way for category B products. Let us understand how to implement these.

Bird's way: Since we do not have enough expertise in Category A products like electronics, computers, telecom, factory machinery, etc, we need external help to ramp up production and exports. For this we need to invite large global firms to relocate, manufacture and export from India.

Many global firms already want to relocate production because of new tariffs, increased protection across borders, and hassles of the trade war.

Few significant investments have gone to Vietnam. But most firms look for large domestic markets as the most critical condition for relocating. India with large markets, high skill base, and presence of R&D networks can be an ideal location. We need to offer a robust incentive package to persuade global manufacturing firms in strategic sectors to relocate.

Such firms will act as anchor manufacturers and will bring along component suppliers, so essential for end-to-end manufacturing. Soon, Indian ancillary firms will become part of this ecosystem leading to growth in jobs and exports. China followed the bird's way in the early 1990s to become the factory of the world.

Ant's way: Here, the focus is on increasing competitiveness of the existing Indian exporters so they can export more. A five-pronged strategy captures the essence of ant's way:

Create product design and development studios: The MSME Ministry facilitates many centres that assist small firms in developing new prototypes. We need to scale these to include the latest tools and also increase their number. This will help innovation-driven small firms and reduce dependence on import of daily-use goods.

Set up product quality testing labs: Many small firms are not aware of quality standards/certifications. They get a shock when products are rejected. India needs to set up more globally accredited testing laboratories. And, enhance capacities of the existing laboratories.

Open large product exhibition centres cum markets: China has many sizeable wholesale markets where local firms display their products to a large number of foreign buyers.

Such exchanges will help small firms to showcase their products and get orders without travelling abroad.

Provide actionable trade intelligence: Simple information like which country is buying what product at what price helps. Data suggests that a firm exporting two similar category products (for example, boy's shirts and men's shirts) has three times the turnover than the firm shipping only one product (boy's shirts).

Data also reveal that a firm exporting one product to three countries has five times the turnover than a firm exporting to one country. With bits of such information, most firms can readily scale turnover and earn more money.

Reduce cost of doing business: This can be achieved by improved access to capital, quick refund of GST, online regulatory approvals, low duty on inputs, promoting e-commerce exports from Tier 2/3 cities, and so oon.

While the bird's way would help in the quick ramping up of production and export of both goods and services in which we lack expertise, the ant's way would create a robust economic base, empower entrepreneurs and create a large number of jobs. We need to act on both to reach a $5 trillion economy.

Source: thehindubusinessline.com- Aug 02, 2019

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Has Indian textile industry missed the bus? High input cost overshadows capacity, technology

The paradigm shift driven by the ongoing trade war between the US and China has opened new opportunities for the Indian textile industry but the higher cost of raw material and manpower can prevent the industry from making the most out of this opportunity.

"We have good capacity, we have better technology, but the drastic increase in cotton yarn prices in India and increased labor cost has made the Indian textiles less competitive in the world," Sharad Kumar Saraf, President, Federation of Indian Export Organisations, told Financial Express Online. These problems are already informed to the Textile Ministry but no positive action has been taken so far, he added.

What is pulling down Indian textile industry?

- Once the cheapest in the world, cotton yarn produced in India is now among the most expensive in the world due to a 28 per cent rise per year in the minimum support price. This has also led to Indian cotton exports falling to half in the month of June, Sharad Kumar Saraf added.
- Duties and taxes are not being refunded in time. Faster processing of Rebate of State Levies (ROSL) has been requested from the government, but the support did not come, he further pointed out.
- Exports of textiles to the USA and Europe has primarily been dominated by the Chinese market over the years as almost half of the total textile exports to these regions are from China. Despite being the second largest manufacturer and exporter of textiles in the world, the share of India in the total global exports of textile and clothing to the US and Europe is only 8.3 per cent and 9.5 per cent respectively, according to the data provided in Lok Sabha.
- "India faces competition from countries like Bangladesh which have competitive manufacturing costs and enjoy duty-free access to major textiles and apparel markets like Europe. China and Vietnam's textile industry has attained economies of scale, thereby giving competition to India's textile industry globally," said Textile Minister Smriti Irani in a reply to a query in Lok Sabha.

Employment in the textile industry constitutes 18 per cent of the entire manufacturing industry. In 2016-17, around 1.5 crore persons were employed in the manufacturing sector, out of which around 27 lakh persons were employed in the textile industry, according to the data provided in Lok Sabha. The textile industry has the potential to boost employment as well as exports in the country.

The government has taken initiatives like Amended Technology Upgradation Fund Scheme (ATUFS), Scheme for Capacity Building in Textile Sector (SCBTS), PowerTex India, National Handloom Development Programme and National Handicrafts Development Programme, etc to make the Indian textile industry globally competitive, boost exports and facilitate modernisation thereby increasing employment and exports.

Source: financialexpress.com- Aug 03, 2019

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Maharashtra’s Investment Incentives for 6 Top Industries

Maharashtra is among the most industrialized states in India and a popular destination for foreign investors. The state has a strong presence of automobile and auto-component, pharmaceutical, information technology (IT), and textile companies, but has introduced industry-specific investments schemes and incentives to retain its status as the most favored investment destination in the country.

The state has identified 12 industries for investment promotion. Below, India Briefing describes the incentives available for six of these industries. Business leaders that are thinking of investing in Maharashtra should review these incentives to see if they are eligible before comparing them to any similar schemes available in other Indian states.

1. Automobiles

Maharashtra is a leading manufacturer of auto and auto-components industry in India, accounting for approximately 38 percent of the country’s total output of automobiles by value. Pune is one of the largest auto hubs in India, with over 4,000 manufacturing units in the Pimpri-Chinchwad region alone.

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Special incentives

The New Industrial Policy of Maharashtra, 2019 (“New Industrial Policy”)provides an industrial promotion subsidy, interest subsidy, and electricity duty exemption on fixed capital investments by Micro, Small and Medium Enterprises (MSMEs) and large-scale industries. Industrial units may also receive an additional incentive if they employ a large number of individuals from local communities.

Further, the acquisition of land and term loans by MSMEs and large-scale industries are completely exempt from the payment of stamp duty. MSMEs are also exempt from payment of duty on the electricity consumed.

New policy for electronic vehicles

Last year, Maharashtra become one of the first states in India to introduce a policy dedicated to electric vehicles (EV). The state government exempts EVs from road tax and registration charges in the state. It also offers a 15 percent subsidy to the owners of the first 100,000 EVs registered in the state.

In addition, the state government has proposed to offer a maximum subsidy of INR 1million (US $15,549) per charging station to the first 250 stations that are set up in Maharashtra.

2. Biotechnology

The biotechnology industry in Maharashtra contributes about 35 percent of the total revenue generated by biotechnology in India.

The core competence and strengths of the biotech industries in the state are in health care (medical), crop production and agriculture, non-food (industrial) use of crops and other products (such as biodegradable plastics, vegetable oil, biofuels), and environmental areas.

Special incentives

The New Industrial Policy offers an interest subsidy, electricity duty exemption, 100 percent stamp duty exemption for acquiring land and for term loan purposes, as well as a full exemption on fixed capital investments to biotechnology units for a period.

3. Electronics

Maharashtra's electronics sector, including telecommunications, equipment, electronic components, industrial electronics, and consumer electronics, contribute about 31 percent of India's total electronics industry output.

Special incentives
To promote large-scale manufacturing in electronic system design and manufacturing (ESDM) and attract domestic and global investment, the state government provides a capital investment subsidy of 20 percent in special economic zones and 25 percent in other areas for a period of 10 years.

In addition, investors in the electronics industry can avail benefits like reimbursement of taxes and duties in consumer electronics, telecommunications, equipment, nano-electronics, mobile handsets and accessories, medical electronics, LEDs and LCDs and IT hardware sectors.

4. Information technology

Maharashtra accounts for more than 20 percent of India's software exports, with over 1,200 software units established across the state. Pune and Mumbai together account for more than US $8 billion of IT exports.

To encourage investments in the sector, the state government has set up several IT parks that offer state of the art facilities to both domestic and international IT companies. Currently, there are 37 public IT parks and 506 private IT parks, out of which 185 parks are operational with an overall investment of US $735.14 million.

Special incentives

The state government has framed an IT policy that details incentive schemes and tax benefits for the sector. These include an additional floor space index (FSI) of up to 200 percent to IT and IT-enabled services (ITeS) units, an exemption in local body taxes and special emphasis on the development of animation, visual effects, gaming and comics (AVGC) industry.

Further, the policy provides for exemption of IT and ITeS units from local body tax, entry tax, stamp duty, and cess. The IT and ITeS units operating from registered IT parks or notified SEZ that has a green building certification are also exempt from seeking approval of the Maharashtra Pollution Control Board (MPCB).

5. Pharmaceutical

Maharashtra is home to several globally recognized manufacturers of affordable and quality generic medicines. The state has the highest number of United States Food and Drug Administration (USFDA) approved manufacturing plants in India and the highest number of pharma units. Maharashtra contributes about 20 percent to India's total pharmaceutical output.

Special incentives

Under the Maharashtra State Innovative Start-Up Policy, 2018, new pharmaceutical units are exempt from stamp duty and registration fee for the first three years of renting or leasing land.

Pharmaceutical and drug companies involved in research and development can avail reimbursement of up to INR 2 lakh (US $2,873) for an Indian patent and INR 10 lakh (US $14,365) for an international one.

There are separate tax and fiscal benefits available for large, ultra and mega projects under the New Industrial Policy .

6. Textile

Maharashtra contributes about 10.4 percent to India's textiles and apparels output, and approximately 25 percent of the country's total cotton production. Of the 2.5 million power looms working in India, Maharashtra has more than 50 percent of them, comprising those running in Bhiwandi, Malegaon, Ichalkaranji, Sholapur, Nagpur, and other textile clusters.

Special incentives

Last year, the state government approved a new textile policy for the period 2018 to 2023 to increase investments in the sector. The policy offers a 25 percent capital subsidy to self-financing textile projects — spinning mills, cotton ginning, and printing units – and a 45 percent capital subsidy to processing units.

The state government provides an additional subsidy of 20 percent to the upcoming processing and garments units in the less developed regions of the state such as North Maharashtra, Marathwada, and Vidarbha. It also offers capital subsidy on textile machinery that fulfils the Amended Technology Up gradation Fund Scheme (ATUFS) criteria of the federal government.

Compare and contrast before investing

Maharashtra's incentives make many of its key industries more competitive for investors that would like to expand in India. However, investors should seek to compare Maharashtra's incentives with those offered by other states to ensure they obtain a competitive advantage.

This comparative analysis can be conducted as part of market entry research that examines local regulations and compliance requirements along with projected costs for land, labor, basic utilities, and any required materials.

Source: india-briefing.com- Aug 02, 2019

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India may say no to RCEP pact if its demands on services, goods are not met

Negotiating team holds a string of bilaterals at Ministerial meet in Beijing

India may say no to a Regional Comprehensive Economic Partnership (RCEP) pact it is negotiating with 15 others including the 10-country ASEAN and China if it doesn't get what it is seeking, especially in the area of services where offers have been "disappointing", a government official has said.

The country's negotiating team is at present holding a string of bilaterals with partner countries of the RCEP, including China, New Zealand and Australia at the on-going Ministerial meet in Beijing to negotiate on the items it will continue to protect against tariff cuts under the pact. It is also trying to convince members to improve offers in services.

"So far, we have received ambitious demands from RCEP members for tariff elimination in goods which has made our industry very uncomfortable. The government has now decided that it would agree to the RCEP pact only if all its demands are met including in services particularly in the area of work visas," the official told BusinessLine.

Most countries in the 16-member grouping, which comprises 10 ASEAN countries, China, India, South Korea, Japan, Australia and New Zealand, are hoping to make official the tentative November-end deadline for concluding the trade and investment deal. But New Delhi, till now, has held the position that it does not want to be hurried into a bad deal.

"The bilaterals are important for India as it would try to individually convince countries on the protection it still needs to extend to certain sectors which may be different for different countries. While India may be in a position to be more generous towards the ASEAN, South Korea and Japan, with which it already has trade pacts, the same doesn't hold true for Australia, New Zealand and most importantly China," an official told BusinessLine.

India will also drive home the message that it needs substantial offers in services, including in the area of easing of movement of workers, for the pact to succeed. "Till now offers in services, especially in Mode 4 involving movement of natural persons, has been disappointing. This is unacceptable," the official said.

Commerce Secretary Anup Wadhawan, who is representing the country at the meet on August 2-3 in place of Commerce Minister Piyush Goyal, has meetings scheduled with representatives from China, Thailand, New Zealand, South Korea, Singapore, Australia, Japan and the 10 ASEAN ministers as a group.

Concern over tariff

A large number of Indian industry including iron and steel, dairy, marine products, electronic products, chemicals and pharmaceuticals and textiles have expressed concerns that proposed tariff elimination under RCEP would render them uncompetitive.

Indian industry is also fearful that China will dump its goods into India once the pact is signed.

A lot of work still remains to be done before the ambitious pact, covering goods, services, investments, IPR, e-commerce and government procurement, is concluded. "Till now just seven out of the total 20 chapters have been concluded. Of the pending 13 chapters, the ones on competition and dispute settlement are almost done. However, in the rest of the chapters, a considerable amount of work still needs to be done," the official added.

The RCEP, once implemented, could be the largest free trade zone in the world as member countries account for 40 per cent of global GDP, 30 per cent of global trade, 26 per cent of global foreign direct investment flows and 45 per cent of the total population.

Source: thehindubusinessline.com- Aug 03, 2019

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RCEP meet: India, China refuse to budge on tariffs, services trade

New Delhi resisted calls by most nations, which argued that India should slash existing tariffs on up to 90% of all goods

Positions on tariff reduction, services trade and investment facilitation have hardened during the latest negotiation round on the Regional Comprehensive Economic Partnership (RCEP) deal in Beijing, as the deadline gets nearer, said sources.

The ministerial part of the talks that is seeing trade ministers from member nations trying to reach a consensus on contentious issues began on Friday.

“However, 13 of the 25 topics of discussion within the RCEP remained unfinished after the technical negotiations were over by Thursday,” said persons in the know.

These include the crucial trade in services, movement of professionals across borders, investments, dispute resolution and rules of origin. As a result, the ministers are expected to have significantly less material to go forward on, at a time when the third RCEP summit is planned for early-November, they added.

RCEP is India’s most ambitious trade pact, currently under negotiation. Based on India’s existing free trade agreement (FTA) with the 10-nation Asean bloc, the RCEP will include all the nations with which the Asean has trade deals — New Zealand, Australia, China, India, Japan and South Korea.

So far, 26 rounds of talks have concluded, apart from six minister-level meets. The latest meet has seen a significant push by Asean nations, desperate to sign the deal soon, to get both India and China on the same page when it comes to tariff reduction.

But New Delhi has apparently made it clear that significant tariff concessions have already been made and further talks would be based only after an equal push by China.

Issues galore

Commerce and industry minister Piyush Goyal skipped the ministerial meet. While extension of the current parliamentary session till August 7 had been given as the reason for his absence, sources hinted that it may have been a message to China. Goyal had earlier emphasised that India believes in the high ambition on goods' tariff reduction. But he had warned that it will fall through only after the sensitives in bilateral pairings like India–China had been addressed through temporary and permanent deviations and exclusions.

New Delhi resisted calls by most nations, which argued that India should slash existing tariffs on up to 90 per cent of all goods. There were demands by developed economies such as Japan and Australia that India open up the market to specific products such as dairy and engineering goods.

The government has also been under pressure to review existing FTAs with South Korea and Japan, that haven't been able to reduce India's trade deficit with these nations.

New Delhi has consistently focused on services trade norms, such as those allowing the free movement of trained professionals across national boundaries.

This would allow Indian professionals — such as chartered accountants, teachers and nurses — to work in other RCEP nations without the need for bilateral mutual recognition agreements.

China concerns

The domestic industry, across a broad range of sectors, has called for caution on India joining the deal. Fear of Chinese goods flowing into the country unhindered, if the deal goes through, has intensified among various industries at a time when major export sectors continue to struggle under falling global demand.

Source: businessstandard.com- Aug 03, 2019

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‘Textile and silk trade have to be encouraged’

Your contribution to the nation as Tamil Sourashtrians is honourable and we are proud to call you ‘Sourashtrian Tamils’ – a combination of two cultures of India, sustaining unity in diversity,” said Vibhavari Dave, Gujarat Minister of State, Women and Child Welfare, Education (Primary and Higher Education) and Pilgrimage.

Addressing members of Sourashtra community here on Saturday, the first day of a two-day event titled ‘Sourashtra Industrial Trade Conference’, hosted by Sourashtra Chamber of Commerce, she said textile and silk industry here had to be encouraged to reach greater heights and there were many members of Sourashtra community who had been successful. Gujarat would help them in developing relations with other business communities, she added.

The Minister said she expected to see several collaborations and memorandums of understanding signed between businessmen of Madurai and the organisers of Vibrant Gujarat 2020 summit. She said Prime Minister Narendra Modi and Home Minister Amit Shah would steer businessmen from Tamil Nadu in the right direction.

Chairman of Velammal Group of Institutions M. V. Muthuramalingam said if the BJP wanted to make inroads in Tamil Nadu, it must set up functional and long-lasting industries to improve commerce here. “It will help in combating communal clashes,” he added.

Regional Passport Officer P. K. Ashok Babu, former Vice-Chancellor of Saurashtra University, Rajkot, Kamalesh P. Joshipura and Madurai South MLA S. S. Saravanan attended the event.

Businessman T. K. Subramanian from Dindigul received SITCON Star Award and president of Sourashtra Chamber of Commerce K. K. G. Prabhakaran received Udyog Seva Rathna Award.

Source: thehindu.com- Aug 04, 2019

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₹25,000-cr tenders cancelled or modified to promote 'Make in India' products

A tender worth ₹8,000 crore was withdrawn and re-issued with modified conditions after the intervention of the DIPP.

Government tenders worth over Rs 25,000 crore were either cancelled or modified and re-issued after the Department for Promotion of Industry and Internal Trade (DPIIT) stepped in to change their conditions to promote ‘Made in India’ goods, a top official said.

“The department is taking every step for effective implementation of public procurement order, 2017, to promote ‘Made in India’ products,” the official said.

The government issued the order on June 15, 2017, to promote the manufacturing and production of goods and services in India and enhance income and employment in the country.

A tender worth Rs 8,000 crore was withdrawn and re-issued with modified conditions after the intervention of the DIPP. The project was related to setting up of a urea and ammonia plant for gasification.

Similarly, a tender for the procurement of train set coaches was cancelled as the tender had certain restrictive conditions that were discriminatory against domestic manufacturers and favoured foreign players. The project cost was Rs 5,000 crore.

A tender for Rs 8,135 crore was modified with revised eligibility criteria for setting up of a 3x800 MW project. A tender worth Rs 3,000 crore for Mumbai Metro was also modified.

The move assumes significance as concerns have been raised by certain quarters about the restrictive and discriminatory clauses being imposed against domestic manufacturers and suppliers in tender documents for public procurement.

The department had earlier held a series of meetings with all the concerned departments and ministries including steel, railways, defence, oil and gas, pharmaceutical, electronics, telecommunications, heavy industries, textiles, shipping and power in this regard.

“Directions were given to ensure strict compliance of the order in letter and spirit. All nodal ministries were directed to ensure notification of local content,” the official added.

Under the Public Procurement (Preference to Make in India) Order, it was envisaged that all central government departments, their attached or subordinate offices and autonomous bodies controlled by the Government of India should ensure purchase preference be given to domestic suppliers in government procurement.

Last year, the Central Vigilance Commission had issued directives to all central vigilance officers to exercise oversight on all contracts of over Rs 5 crore to ensure that restrictive and discriminatory clauses against domestic suppliers are not included in the tender documents for public procurement and that the tender conditions are in sync with the order.

Further, the official said that any grievance related to the issue will be taken care of by the standing committee on the implementation of this order. It is chaired by the DPIIT Secretary.

Several departments and ministries including pharmaceuticals and defence production have already identified several items that would have a minimum level of domestic content.

Source: thehindubusinessline.com- Aug 04, 2019

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Pest attack threat looms over Maharashtra cotton fields

The dreaded pink bollworm (PBW) is back to haunt cotton growers in Maharashtra. Top officials from the Central Institute for Cotton Research (CICR), Nagpur, confirmed that the infestation has been found in a few fields in the state. While officials were unwilling to give out a figure and talk about the extent of the spread, private analysts who have conducted preliminary surveys revealed that around 5% of the state’s crop has been affected.

CICR director VN Waghmare said that the infestation has occurred in fields where farmers had completed sowing early. “The CICR had issued an advisory to farmers stating that they should opt for sowing mid-June onwards so that a small sowing window is created leaving little chance for PBW to appear or proliferate. The CICR had also advised the government to delay the availability of seeds. However, this did not happen and some farmers went in for cotton sowing in the last week of May and first week of June. The infestation is seen in these fields,” he said.

“The infestation is seen in some fields in Parbhani, Akola and Nanded in Maharashtra but is not a matter for alarm at present,” he added.

The CICR has initiated an Insecticide Resistance Management Programme under the National Food Security Mission covering 7 states including Maharashtra, Gujarat, Telangana, Andhra Pradesh , Karnataka, Tamil Nadu and Madhya Pradesh. This year the institute shall also cover Haryana.

A field survey conducted last week by Cotton Guru, a network of around 50,000 cotton growers in Maharashtra, has found the pest infestation in Dhule, Akola and Nanded. It has been mainly found in fields where sowing had taken place in May.

This is not a cause for concern but farmers need to be more aware and take care at this stage itself to prevent the spread, Manish Daga of Cotton Guru said, adding that a second survey will be conducted in the third or fourth week of August where a more clear picture shall emerge.

Daga said that the survey has revealed that around 5% of the crop has been affected. There are two kinds of infestations – on the flower and the boll. Bollworm that attacks flowers is different from the one that attacks bolls, but is equally damaging if left unattended, he said. Pink bollworm attack on cotton bolls is considered more dangerous. They survive on the fibre and seeds inside the cotton boll.

Waghmare pointed out that if the worm attacks the flower and enters the boll, it may survive even during rains.

This season early sowing occurred in some parts of the state as part of a civil disobedience movement launched by Shetkari Sanghatana to symbolically sow the banned HTBT Cotton. The sanghatana claimed that 20% of the cotton crop in the state could be of the HTBT variety.

Agriculture department officials stated that 42 lakh hectare has come under cotton this season, almost the same as the last year.

Cotton is an important kharif crop and Maharashtra normally sees around 40 lakh hectare of area under the fibre crop. As per the data released by the department, sowing is 100% complete.

The Union agriculture ministry has projected kharif cotton sowing at 109 lakh hectare as on July 26, against the normal sowing of 121 hectare.

Source: financialexpress.com- Aug 03, 2019

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Gujarat HC ruling on input tax a relief for T.N. textile units too

Court order permits refund of accumulated credit with retrospective effect

The Gujarat High Court recently quashed a Central notification relating to availment of input tax credit under the GST for power looms manufacturing fabrics with man-made fibre, which is likely to come as a big relief to textile units in the State as well.

The input tax credit is a mechanism through which a manufacturer claims credit on raw materials, which will enable them to offset their GST. However, power looms making fabrics with man-made fibre were impacted by an inverted duty structure, as their raw materials attracted 18% GST, while the final product (fabric) attracted 5% GST, as the input tax credit kept on accumulating.

“Though the rate of GST on raw materials was reduced to 12%, the problem was not yet solved. From August 2018, the industry was made entitled to claim refund of accumulated income tax credit, however, with a rider that the credit on inward supplies received till July 31, 2018 shall lapse,” G. Natarajan, advocate and partner of Swamy Associates, pointed out. Due to this, the working capital of the industry was affected.

The notification was challenged before the Gujarat High Court, which ruled that government does not have the power under GST law to prescribe such a condition.

“The Gujarat High Court decision is a welcome decision based on earlier precedents of the Supreme Court and comes as a big relief to the textile sector. When a writ petition is filed and the notification of the Central government is quashed, it will not be correct to say that the relief should be only for Gujarat. Textile units in Tamil Nadu would also benefit by this decision,” said K. Vaitheeswaran, advocate and tax consultant.

Textile industry in Tamil Nadu has cheered the judgment. “When the government permitted refund of accumulated credit, it did not permit refund with retrospective effect. The industry has got relief through the High Court order. The basic aim of the GST is that cost should not be added to an intermediate product because of taxes. This is what the industry had pointed out to the government too,” K. Selvaraju, secretary general of Southern India Mills’ Association said.

M. Senthilkumar, chairman and managing director of BKS Textiles, which manufactures and exports woven fabrics, said the judgment will bring liquidity to the industry. However, the government should study the anomalies and bring in a uniform rate, he said.

Source: thehindu.com- Aug 03, 2019

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