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IBTEX No. 236 of 2019 December 05, 2019

US 71.58 | EUR 79.32 | GBP 93.83| JPY 0.66

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18900	39500	**70.40**
Domestic Futures Price (Ex. Warehouse Rajkot), December		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19120	39961	**71.22**

International Futures Price	
NY ICE USD Cents/lb (March 2020)	64.70
ZCE Cotton: Yuan/MT (January 2020)	12,930
ZCE Cotton: USD Cents/lb	83.18
Cotlook A Index – Physical	**73.50**

Cotton Guide- The prices have rushed back to positivity. The Major reason attributed to this upward movement is a sudden increase in crude oil prices. WTI Crude yesterday was trading in the 55 $ per Barrel figure and suddenly has increased to 58.50 $ per Barrel.

We need to note the correlation between Crude Oil and Cotton. Both have a positive correlation. A large rise or fall in Crude oil prices is [not equally but to certain extent] proportional to the rise or fall in Cotton prices. Furthermore, both crude Oil and Cotton were seen to show positivity at the same time period starting 9:30 am IST yesterday.

The ICE contracts emanated positivity almost above 50 points. The ICE March contract settled at 64.70 cents per pound with a change of +65 points. The ICE May contract settled at 65.61 cents per pound with a change of +46 points. Volumes were however, decent with figures of 26,279 contracts.

Another, correlation to be looked out for is between ICE and MCX. MCX followed the path of ICE. The MCX December contract settled at 19,120 Rs per Bale with a change of +60 Rs. The MCX January contract settled at 19,250 Rs per Bale with a change of +30 Rs. The volumes were seen at 1,002 Lots which is considerable figure.

While speaking about ZCE cotton contract, the May contract has now emerged to be the most active contract dethroning the January Contract. The ZCE May contract settled at 12,930 Yuan per tonne with a change of -125 Yuan. Currently while we write this report the price of the ZCE May is trading positive with a change of +70 Yuan.

The Cotlook Index A has been updated at 73.50 cents per pound with a change of -0.65 cents per pound. The prices of Shankar 6 headed lower by -100 Rs at 39,500 Rs per Candy. Whereas the spot price remains steady at 38,600 Rs per Candy.

On the fundamental front, we are of the view that prices will still remain consolidated with a negative bias for ICE contracts. On the MCX front, we expect a negative turn of around -50 Rs.

On the technical front, in daily chart, ICE Cotton March has completed its pullback towards the upward sloping channel & resumed its bearish bias. However, price made a bullish engulfing pattern near the support of 63.51, which is 38.2% Fibonacci retracement level of an intermediate up move. Meanwhile, price is below the daily EMA (5, 9) at 64.76, 64.95 with a negative crossover, along with the momentum indicator RSI is at 46.77, suggesting sideways to negative bias for the price. The immediate resistance for the price would be at 65.60 falling trend line)and the support is at 64. Thus for the day we expect price to trade in the range of 64-65.60 with sideways to negative bias. In MCX Dec Cotton, we expect the price to trade within the range of 18950-19200 with a sideways to negative 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 Denim Industry to Grow by $14M by 2024, Thanks to One Innovation

The denim industry's push for sustainability isn't just a benefit for the environment—it's also a value boost for the industry itself.
Related Articles

The global denim jeans market was worth an estimated $66 billion in 2018. According to a report from Technavio, a global technology research and advisory company, the global denim jeans market is expected to grow by more than $14 million by 2024.

And much of the growth can be attributed to the industry's adoption of organic cotton.

As the market of ethical and health-conscious consumers expands, so does the demand for more sustainable fabric. Global production of organic cotton increased 56 percent in the 2017-2018 crop year—the largest output of organic cotton since the recession.

The report also showed exactly which regions can expect the biggest growth. Japan, China and India will likely lead the region through 2024 as a result of the countries' rise in promotional activities within the denim market. In 2019, the Asia/Pacific region led the market, followed by North America, Europe, South America, and the Middle East as a response to the introduction of global brands and an emphasis on premium denim.

"Product premiumization, high influence of celebrity endorsements on customer purchase and growing strategic alliances are some other key factors that are expected to boost the denim jeans market growth during the forecast period," a senior analyst at Technavio said.

Researchers are confident organic cotton and sustainability will have a positive impact on market growth from 2020-2024.

Recently, a number of companies have doubled down on their use of organic cotton. This year, Cone Denim introduced its Organic Cotton Capsule

collection of denim fabrics and Taylor Stitch teamed with Isko to introduce the brand's first 100 percent organic cotton jean.
Similarly, brands are reinforcing their commitments to responsible production efforts and unveiling more sustainable collections to meet consumers' needs. According to a report from Edited, new retail products described as "sustainable" have increased by 125 percent since 2017. Diesel recently launched a sustainable capsule collection with Coca-Cola, and Frame debuted a sustainable denim line that it plans to expand upon in the coming year.

Source: sourcingjournal.com,- Dec 04, 2019

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Cotton stays up on technicals, renewed US-China trade hopes

ICE cotton futures rose more than 1% on Wednesday after falling for four straight sessions on technical buying, while report suggesting progress on the US-China trade talks rekindled some optimism for a breakthrough.

Cotton contracts for March rose 0.80 cent, 1.25%, to 64.85 cents per lb by 02:19 p.m. ET.

It traded within a range of 64.05 and 64.85 cents a lb.

"It is a technical move because it held yesterday's lows around 64 cents and holding that they kind of produced extreme reaction on the upside," said Jack Scoville, vice president at Chicago-based Price Futures Group. The contract fell to its lowest since Nov. 22 at 64.02 cents in the previous session after US President Donald Trump said a trade agreement with China might have to wait until after the US presidential election in November 2020.

Sentiments rebounded across markets as media reports fed hopes that the giant economies were moving closer to a phase-one trade deal.

Optimism for a trade deal buoyed the market, said Keith Brown, principal at cotton brokers Keith Brown and Co in Moultrie, Georgia, adding 62.40-63.70 cents are big support areas while resistance lies around 66-67.13 cents.

Investors await the release of the US Department of Agriculture's (USDA) the weekly export sales data due on Thursday. Last week, USDA in its weekly export-sales report showed net sales of 281,500 running bales (RB) for the 2019/20 marketing year, up 24% from the previous week and up 33% from the prior four-week average, for the period ended Nov. 21.

Total futures market volume fell by 8,679 to 24,555 lots. Data showed total open interest fell 267 to 196,723 contracts in the previous session.

Source: brecorder.com- Dec 05, 2019

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USA: String-Out, Fall Out and Estimating Yield Loss in Cotton

While the finish line is either within sight or has been reached by most, Tennessee still has several acres of cotton in the field. Several have reported fall out, or seed cotton on the ground, on some of these acres.

There are several methods to estimate yield loss from fall out. This article explains string-out, fall out, the method for estimating harvest loss from lock counts, and covers potential sources of error in the estimate.

Although most of our varieties hold seed cotton in the boll, there are noticeable differences in both lock ‘string-out’ and ‘fall out’ in our commercial varieties. ‘String-out’ is generally defined as tightness of each lock within an individual boll. Varieties that are loose in the boll/burr, or string-out considerably, are typically the same varieties that appear to be ‘snow banks’ after opened. Varieties that are tight in the boll/burr, or do not string-out considerably, do not appear to be as high-yielding from visual inspections.

One of the best examples I have of differences in string-out can be seen in the above image. Both of these varieties are commercially available and commonly planted within Tennessee. The variety to the left commonly strings-out, while the variety to the right is much tighter in the boll. Seed cotton yield from the left variety was 3,323 lb/acre, and seed cotton yield from the right variety was 3,329 lb/acre – not significantly different.

Differences in string-out are responsible for the high-yielding appearance of the left versus the low-yielding appearance of the right, even though there is no significant difference in the two whatsoever.

The two pictured varieties represent extremes of our current commercially available varieties. For most of our varieties, differences in string-out will only impact visual differences in the field and/or possibly how 'clean' a variety picks. Still, in extreme cases, yield differences can be noted. If a variety is very tight in the boll/bur, the picker's spindles may not grasp the lock and pull it off the plant. In contrast (and more commonly), if a variety is very loose in the boll/burr, the lock may fall out on the ground before harvest.

Given a timely harvest, fall out in our current commercial varieties is typically negligible. However, if harvest is delayed on a variety that is loose in the boll/burr, yield loss due to fall out may be considerable (see below).

Cotton yield loss from fall out can be difficult to estimate. While it seems logical to simply pick up the cotton which has fallen to the ground, determine weight and extrapolate to the acre, cotton locks which are on the ground typically stick to soil and or debris. Removing the trash from collected locks is extremely difficult and time consuming. If not properly removed, the contaminants can cause yield loss estimates to overshoot actual loss.

In contrast, counting the number of locks is a relatively quick and fairly effective method of estimating yield loss. The estimator should keep in mind many of the same issues in estimating lint yield from boll counts also impact estimating lint yield loss from lock counts.

While counting the number of locks on the ground is typically much faster than counting the number of bolls on a plant, these numbers can vary drastically across a field. Subsequently, it is extremely important that a large number of measurements be collected from each impacted field. Measurements should focus on areas which appear to best represent the field. Error also arises from variation in the weight of lint in individual locks.

Method for estimating yield loss from lock counts

Lint yield loss in pounds per acre	=	Lock number lost per row foot	x	Pounds of lint per acre produced by one lock per row foot

To determine lock number lost per row foot:

• Measure 10 row feet in a row which represents the field.

• Count all locks on the ground between two rows.

• Repeat the measurement four times across the field.

• Average the four numbers together and divide by 10 to identify lock number lost per row foot within the field.

To determine pounds of lint per acre produced by one lock per row foot, determine your row spacing and estimate boll size. A conservative estimate for most varieties in most years is 3.5 grams per boll. Using these two numbers (row spacing and boll weight), look up the pounds of lint per acre produced by one lock per row foot in the below table.

	Pounds of lint per acre produced by one lock per row foot assuming 38% turnout						
	Boll weight in grams						
Row spacing, inches	**5**	**4.5**	**4**	**3.5**	**3**	**2.5**	**2**
40	14	12	11	10	8	7	5
38	14	13	12	10	9	7	6
30	18	16	15	13	11	9	7
38 skip-row	10	9	8	7	6	5	4
30 skip row	12	11	10	9	7	6	5

Multiply these two numbers together to estimate lint yield loss in pounds per acre. Note that it takes a considerable number of locks per row foot to generate considerable yield loss. The number of locks per row foot which must fall to the ground to cause a quarter, half and one 480-lb bale per acre loss at various row spacings and patterns are presented in the below table.

Row spacing, inches	Locks per row foot required to produce a 120 lb of lint assuming 38% turnout and 4 locks per boll — Boll weight in grams						
	5	4.5	4	3.5	3	2.5	2
40	9	10	11	13	15	18	22
38	8	9	10	12	14	17	21
30	7	7	8	9	11	13	16
38 skip-row	13	14	16	18	21	25	31
30 skip row	10	11	12	14	16	20	25

Row spacing, inches	Locks per row foot required to produce 240 lb of lint assuming 38% turnout and 4 locks per boll — Boll weight in grams						
	5	4.5	4	3.5	3	2.5	2
40	18	20	22	25	29	35	44
38	17	19	21	24	28	33	42
30	13	15	16	19	22	26	33
38 skip-row	25	28	31	36	42	50	63
30 skip row	20	22	25	28	33	39	49

Row spacing, inches	Locks per row foot required to produce a 480 lb bale assuming 38% turnout and 4 locks per boll — Boll weight in grams						
	5	4.5	4	3.5	3	2.5	2
40	35	39	44	50	59	70	88
38	33	37	42	48	56	67	83
30	26	29	33	38	44	53	66
38 skip-row	50	56	63	71	83	100	125
30 skip row	39	44	49	56	66	79	99

Take home

Accurate estimates of yield loss require the estimator to invest a considerable amount of time in each field. While error will likely exist in even the most careful estimations, a conservative count of locks lost to fall out per row foot will provide a useful estimate.

Source: cottongrower.com - Dec 03, 2019

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Pakistan: 7.44m cotton bales reach ginneries

Seed cotton (Phutti) equivalent to 7.44 million or 7,447,544 bales reached ginneries across Pakistan till Dec 1, 2019, registering 20.49 per cent shortfall compared to corresponding period of last year.

Out of total arrivals, over 6.9 million or 6,952,342 bales have undergone the ginning process, according to a fortnightly report released to media by Pakistan Cotton Ginners Association (PCGA) here Tuesday.

Arrivals in Punjab were recorded at 4.1 million or 4,141,096 bales and Sindh, over 3.3 million or 3,306,448 bales.

Source: brecorder.com- Dec 04, 2019

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Pakistan: Bt. Cotton: global experience

The standard complain of Pakistan's textile industry is that cotton production is witnessing a freefall, led by a secular decline in acreage over the past decade. The trend coincided with retroactive regularization of Bt. cotton in 2010, ostensibly laying blame at the alter of biotech innovation.

That is a misnomer. The contraction in area under cotton following the adoption of Bt. is largely in line with global trends. That also makes intuitive sense, as the biotech revolution promised an exponential improvement in crop productivity, theoretically lowering the requirement for cultivated area under constant demand.

In fact, aggregate area under cotton in top five crop growing countries – responsible for 80 percent of global production – has inched forward at a CAGR of 0.07 percent since the first commercial adoption of Bt. in 1995 by USA. Adoption rate in all these countries today exceeds over ninety percent, as aggregate cotton production for the big five has leaped frogged by fifty-six percent over the past quarter century.

Pakistan's acreage contraction – while in line with the experience of leading nations such as US and China, where acreage has declined by one-fifths and two-thirds since the adoption of Bt., even as output has grown by 1.25 times.

Back home, cotton's challenge is not one of fewer acres, but the unfulfilled promise of yield gains.

As yield in other early adopters charged ahead – Brazil recorded gains of over four times during the intervening years – domestic productivity has come full circle, with less than 70bps CAGR change. In fact, if provisional crop assessment for the ongoing harvest season is to be believed, country-wide yield may come in at 550 kg per hectares (or lower), possibly lowest in three decades.

After inching forward during the intervening period – FY15 area and yield stood at 3Mn ha & 802 kg ha respectively – crop numbers are back at square one, turning folks nostalgic for the times Bt. adoption. Yet, if the yield trends are any guide, declining acreage is symptom of a much larger malaise.

In fact, it has proven dangerous to confuse the effect with the cause. Output targets – driven by increasing domestic consumption which has doubled during these 25 years – continue to promise a revival in area to fulfill local demand. Yet growers are fast jettisoning this white gold for substitutes, as they turn sick of its dismal performance.

What happened? Biotechnology – a fancy term for innovation in seed variety through genetic engineering – was same as available to competing nations. The failure, however, turned out to be of regulation, which first allowed the varieties to come in through unofficial channels, and later fail to regulate the propagation of non-viable clones. As local seed companies ran amok, a promising innovation has turned hazardous as patent owners have refused to take ownership of a disaster-in-waiting claiming theft of their intellectual property.

As cotton belt in the country becomes thing of the past, regulatory bodies have stood by as silent spectators. Here one is reminded of a comment by Ali T. Sheikh, ex-CEO Lead Pakistan who noted that the country lacks capacity to build Bhasha even with a blank cheque. Bt. variety introduced in Pakistan were no different than ones adopted globally, yet the hollow regulatory capacity has brought down what has otherwise proven to be a step forward world over.

Source: brecorder.com- Dec 04, 2019

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Financial Risks Challenge Cambodia's Apparel Exports-Driven Economy

Cambodia's economy, underscored by solid exports and strong domestic demand, remains strong, according to the latest edition of the World Bank's "Cambodia Economic Update," but challenges persist.

However, real growth is expected to slightly decelerate to 7 percent in 2019, down from 7.5 percent in 2018. Garment and footwear exports, accounting for about 70 percent of total merchandise exports, grew at 17.7 percent in 2018, but slipped to 15.3 percent by June. For the year through September, U.S. apparel imports from Cambodia increased 10.95 percent to a value of $2.93 billion.

To enhance Cambodia's global competitiveness, the government recently introduced measures to facilitate trade by lowering logistics costs, cutting red tape and supporting businesses with a six-day reduction in the number of publicly observed holidays in 2020, the World Bank noted. In addition, a large fiscal stimulus package financed by government savings could be introduced in 2020 to mitigate the negative impacts of the potential withdrawal of the European Banking Authority.

The report also noted that Cambodia's participation in the global economy through global value chains grew faster than other similar countries. Foreign direct investment inflows, a large pool of low-skill and low-wage labor and preferential access to key export markets were behind Cambodia's rapid integration into limited manufacturing global value chains (GVCs).

"To move to the next stage of GVC participation, Cambodia will need a much more sophisticated policy mix," Inguna Dobraja, World Bank country manager for Cambodia, said. "This would include expanding and deepening trade agreements, lowering barriers to imported inputs, [continuing] improving the education and skills of the labor force, and harnessing the digital economy to support the integration of firms into global value chains."
A sustained appetite for investment was reflected by strong construction activity, the report said. As a result, steel imports rose 63.5 percent in June, up from 27.7 percent in 2018.

On the downside, risks in the financial sector continue to grow, the World Bank said, with increased exposure to the construction and real estate sector rising alongside indebtedness, where combined bank and microfinance credit now account for more than 100 percent of gross domestic product. A possible withdrawal of the Everything But Arms (EBA) initiative, as well as a sharp slowdown in the Chinese economy, could substantially dampen Cambodia's growth prospects.

The EBA is an initiative of the European Union (EU) under which all imports from Least Developed Countries are duty-free and quota-free, with the exception of armaments. The EU has been reviewing Cambodia's trade privileges due to concerns about human rights issues in the country.

Source: sourcingjournal.com- Dec 02, 2019

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US: Crop Progress Notes for Cotton – December 2

U.S. cotton harvest is winding down, as ten cotton-producing states are now more than 90% complete.

According to the USDA Crop Progress Report for the week ending December 1, 83% of the crop across the Cotton Belt has now been harvested – up 5% in the past week and still slightly ahead of the 5-year average for this date. In most states, increases ranged from 1-7%, with the largest gains coming in Arizona (up 16%) and Oklahoma (up 9%). Louisiana is now reported as 100% complete.

Source: cottongrower.com- Dec 03, 2019

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Bangladesh's RMG Sector is Shifting to Digital Wages. Here's Why It Matters.

A push by Bangladesh's government to build a cashless society plans to bring 90 percent of the country's 3.6 million garment workers under a digital wage system by 2021.

The effort is being spearheaded by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), a trade organization that represents factory owners in the readymade garment sector.

"We want to go for cashless transaction to pay wages to workers to upgrade them to next level," Rubana Huq, president of the BGMEA, said at the Bangladesh Digital Wage Summit in Dhaka on Nov. 20.

The one-day event was jointly organized by the government's Information and Communication Technology Division, the United Nations Development Programme and the United Nations-based Better Than Cash Alliance (BTCA), a multi-stakeholder initiative that includes fashion retailers such as Gap, H&M, Inditex and Marks & Spencer.

Already, 1.5 million garment workers receive their wages under the digitized system, Huq said. Another 2.6 million will soon join them.

Using digital and electronic payments instead of cash, according to the BTCA, has the "potential to empower workers" by improving their access to financial services, savings, credit and insurance. This, in turn, can result in additional economic opportunities and independence, particularly for the women who make up 80 percent of Bangladesh's garment workforce.

A study by management consultancy Business for Social Responsibility found that women in Bangladesh with digitized wages were half as likely to report handing their salaries over to their spouses on a monthly basis. Shifting from cash to digital payments also improved the likelihood of women participating in household financial decisions by 15 percent.

"However, to realize these positive impacts, it is vital to ensure responsible wage digitalization, considering the needs of women, who represent the majority of the garment workers in Bangladesh," Huq said, adding that teaching workers about how the system works is vital.

Electronic payments can benefit employers, too. Transitioning from cash, the BTCA says, can “significantly increase” the security and efficacy of payments not only by saving time meting out payments but also minimizing productivity disruptions on payday.

Examples of wage digitization in Bangladesh, it says, show a 53 percent savings in time for administration and finance teams of participating factories in the first year of implementation.

By ensuring traceability of the payment process, digital payments can also reduce corruption, fraud and theft, according to BTCA. “This also makes it easier to check compliance with core labor standards and to measure how factories comply with the International Labour Organization’s decent work agenda in relation to living wages,” it wrote in a corporate paper.

Indeed, Nurul Majid Mahmud Humayun, Bangladesh’s minister of industries, noted at the summit that a central bank-supported digital wage system would empower workers, though he made less mention of the minimum pay protests that have roiled the country and the workplace safety issues that reportedly persist.

“We are committed to supporting the readymade sector to leverage new technologies that will improve the lives of garment workers,” he said. “These efforts will, in turn, accelerate the country’s economic growth.”

The move has the support of Bangladesh’s leading customers, including H&M.

“We will continue to support industry collaboration for scaling digital wages in Bangladesh,” Kiran Gokathothi, regional sustainability manager of H&M, said. “The move from cash to digital payments will help empower the garment workers, especially women, who represent the majority of the workforce.”

Bangladesh is the world’s second-largest garment exporter after China. Its $30 billion garment sector, which produces clothing for some of the biggest retailers in the world, accounts for 80 percent of the country’s export earnings.

However, the country's apparel manufacturing sector has had a tumultuous year, with exports declining by 6 percent in the first quarter of fiscal 2019.

According to analytics firm GlobalData, which pegs the nation's garment exports at $32 billion, Bangladesh could be at risk of missing its goal of exporting $50 billion of clothing by 2021 "if problems including downward pressure on price, poor infrastructure, reliance on cheap commodity garments and the prevalence of smaller less compliant sub-contractors continue to persist."

Bangladesh's reliance on low-cost, fast-fashion production could prove detrimental to it ambitions to catch up to, or even surpass, China, GlobalData says.

Hannah Abdulla, an apparel correspondent for the London-based firm, lauds Bangladesh's "enthusiasm for growing its apparel exports" as "commendable," though perhaps "unrealistic" for the time frame.

"While huge strides have been made in terms of worker safety, these are at the larger, better factories," Abdulla said, noting the "swarm of sub-contractors" that swoop in to undercut bigger production facilities. Some fashion brands, she added, use this to their advantage as "leverage to force prices down at the good factories."

Source: sourcingjournal.com- Dec 02, 2019

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Better Cotton Challenge Seeks Sustainable Innovations for 2.2 Million Farmers

The cotton industry has made concerted efforts to improve its level of sustainable farming methods in recent years and now key groups are reaching out to innovators for fresh new ideas.

The Better Cotton Initiative (BCI) and IDH The Sustainable Trade Initiative (IDH), with the support of Dalberg Advisors, have launched the "Better Cotton Innovation Challenge," a global project seeking innovative ideas and solutions to improve sustainable cotton farming practices around the world.

The Innovation Challenge calls for innovators to submit disruptive solutions in two key areas: those that enable effective and customized farmer training and ideas for efficient data collection.

For customized training, DHL is looking for innovations to bring more sustainable farming practices to hundreds of thousands of cotton farmers across the globe. In data collection, it is seeking solutions that could reduce the time and cost of farmer information gathering to enable more efficient BCI licensing processes.

Solutions could cover areas such as machine learning, satellite-based analytics, image recognition or behavioral influences. The challenge team invites innovators from universities, research and development labs, startups and non-profit organizations to apply. Innovators will undergo three competitive application stages, receive mentorship from experts and gain access to networking opportunities with industry leaders.

The finalists will have the opportunity to pilot test their solution on the ground with BCI farmers. A prize fund of 135,000 euros ($150, 000) will be shared between up to four winners who will potentially have the opportunity to launch their innovation.

“BCI has scaled rapidly over the past decade, and we now work with our partners to provide training, support and capacity building to more than 2.2 million cotton farmers,” Cristina Martin Cuadrado, program manager at BCI, said. “We are always looking for new ideas and solutions to enable us to keep improving the BCI program. This is the first time we have launched a global challenge. We encourage anyone who is sitting on an excellent idea, to come forward and submit your application.”

The deadline to apply to the Better Cotton Innovation Challenge is Jan. 15. More information is available on the challenge website, bettercottonchallenge.org.

BCI, a global not-for-profit, is the largest cotton sustainability program in the world. The initiative aims to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity. In the 2017-2018 cotton season, licensed BCI farmers produced more than five million metric tons of Better Cotton, accounting for 19 percent of global cotton production.

IDH convenes companies, civil society organizations, governments and others in public-private partnerships to drive the joint design, co-funding and prototyping of new economically viable approaches. Dalberg Advisors is a global advisory firm that provides high-level strategic policy and investment advice to the leadership of key institutions, corporations and governments, working collaboratively to address pressing global problems and generate positive social impact.

Source: sourcingjournal.com- Dec 04, 2019

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NATIONAL NEWS

Commerce Ministry division to track FTA utilisation

Separate division planned by Commerce Ministry to monitor information on trade pacts

India's existing free trade agreements (FTAs) with partner countries are likely to be monitored by a separate division to be created in the Commerce & Industry Ministry. This division will keep track of the extent to which FTAs are being utilised by Indian industry and also identify non-tariff measures that are acting as hurdles.

"The Commerce & Industry Ministry is considering setting up a trade monitoring division that will monitor utilisation of current FTAs and the non-tariff measures taken by partner countries," a government official told BusinessLine.

Tracking trade diversion

The division, if created, will also take note of the trade diversion taking place due to third country FTAs and will give the Ministry some indication of whether an FTA needs to be explored with a particular country or grouping.

It is to coordinate with the Directorate General of Foreign Trade, the Department of Revenue and the Directorate General of Commercial Intelligence and Statistics.

After India's last-minute decision to exit the Regional Comprehensive Economic Partnership — a mega FTA being negotiated between 16 countries — the government is focussing more on trying to understand how free trade pacts could work for India.

The RCEP included the 10-member ASEAN, China, Japan, South Korea, Australia, New Zealand and India.

As per various studies, including one carried out by the NITI Aayog, India's utilisation rate for most FTAs is very low (between 4 per cent and 20 per cent). India's existing FTAs with the ASEAN, Japan and South Korea, too, have worked out more in favour of the partner countries and has resulted in an increase in trade deficit with the countries.

“It is evident that Indian industry can benefit from FTAs only when utilisation rate is improved.

“It will happen when there is more awareness about the pacts and also non-tariff barriers are removed,” the official said.

The proposed division is also likely to undertake outreach programmes to sensitise exporters on the utility of existing FTAs, the existing provisions and how to go about the paperwork required to get the entitlements.

Source: thehindubusinessline.com – Dec 04, 2019

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Indian clothing market likely to be worth $53.7 billion in 2020

Despite the slump, India continues to present an exciting opportunity, particularly for price competitive players

Stalwarts in the fashion industry are not looking forward to 2020. With most executives across apparel and clothing and the wider fashion world bracing for a slowdown in global economic growth, the only beacon amidst the gloom appears to be the Indian market.

The McKinsey Global Fashion Index forecasts that fashion industry revenue growth will slow further in 2020, down to 3-4 per cent, slightly below predicted growth for 2019. The most optimistic region is Asia (read China and India), although only 14 per cent of executives surveyed expect an improvement in conditions.

The staggering rate of store closures that has rocked the retail industry over the last couple of months, is expected to continue in 2020. Forever 21, the US retailer that helped popularise fast fashion in the United States (US) as well as in India, has filed for bankruptcy.

Diesel USA also filed for bankruptcy, as did Gymboree, the children's clothing retailer, available in India.

Clothing retailer Gap said it would spin off its more successful Old Navy brand into its own company while closing about 230 Gap stores around the world, or roughly 50 per cent, even as other retailers including Victoria's Secret and JCPenney are shuttering dozens of locations, including those in India.

As anxiety and concern continues to be the prevailing mood across the fashion world with slower growth putting pressure on margins, the digital shake-out gathering pace and consumers demanding more on sustainability, there are increased expectations from India.

Despite the current slowdown in the economy, the Indian clothing market is expected to be worth $53.7 billion in 2020, making it the sixth largest globally, according to the fourth annual State of Fashion report by The Business of Fashion and McKinsey & Company.

Elsewhere, political upheaval across the globe, broader macroeconomic uncertainty and the continued threat of trade wars has dampened retail sales. A general economic malaise in mature Europe is aggravated by the Brexit uncertainty, underscored by muted consumer sentiment in North America.

Exciting opportunity for price competitive players

India, too, has recorded a slump. The report states India’s economy is growing at its slowest pace in the past six years and the strain is starting to show.

India’s apparel exports are estimated to have declined by 17 percent in the first quarter of FY19 due to a slowdown in demand from developed countries. Data compiled by apex industry body, the Clothing Manufacturers' Association of India, showed India’s apparel exports at $1.35 billion and $1.34 billion in April and May 2018, a decline of 23 per cent and 17 per cent respectively. During FY18, apparel exports from India fell by 4 per cent to $16.72 billion.

Despite the slump, India continues to present an exciting opportunity, particularly for price competitive players, according to the report.

While the GDP growth this year has been somewhat weaker than expected, in part due to regulatory uncertainty, India is still projected to be the fastest-growing major economy, according to the IMF.

Notwithstanding the market's challenges, the report adds, international players from H&M to Adidas are engaging with India enthusiastically.

Several other factors are aiding the growth trend. Internet retailing accounted for nearly 11 percent of the apparel market in 2018, double the proportion just three years ago, driven in part by increasing internet and smartphone penetration.

The report states India saw the strongest absolute growth globally in the number of internet users in the past year, while social media use has also expanded at around 25 percent annually, with nearly 70 percent of users active on Instagram. This provides a platform to introduce consumers to fashion brands away from the dominant informal market.

Source: thehindubusinessline.com– Dec 04, 2019

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Opposition-ruled States push for early release of money from GST Compensation Fund

With the Centre admitting to stress on GST collections, the next GST Council meeting may see some tough talking.

The Opposition ruled States have upped the ante for immediate release of GST Compensation Fund which they get from the Centre in lieu of revenue shortfall. States claim total dues could be ₹50,000 crore or even more.

Ministers and representatives from five States and one Union Territory (with assembly) — Punjab, Rajasthan, Madhya Pradesh, Delhi, West Bengal, Kerala and Puducherry — met Finance Minister Nirmala Sitharaman on Wednesday to press for the demand.

According to the GST Compensation Act, States and UTs with Assemblies are guaranteed compensation if the GST revenue growth is less than 14 per cent. The amount is paid bi-monthly. This year, States and three UTs were paid ₹28,000 crore for the June-July period. They are yet to be paid for August-September, which was due in October.

When asked about it at the media briefing after the Cabinet meeting, Sitharaman said that she will look into this matter and funds will be released. However, she did not elaborate on the amount due or on the current status of the Compensation Fund.

This fund gets money through compensation cess levied on goods and services which attract 28 per cent GST. The cess rate varies from one per cent to 25 per cent and is levied over and above the GST rate.

Punjab Finance Minister Manpreet Singh Badal after the meeting with Sitharaman had said that compensation for August-September has not been paid and now compensation for October- November is due too. He said that though the Finance Minister assured release of the fund, no timeline was given. Delhi Deputy Chief Minister Manish Sisodia said the Finance Minister did not give reasons for the delay in paying compensation to States.

Madhya Pradesh Commercial Tax Minister Brajendra Singh Rathore said the Centre owed his State nearly ₹3,000 crore for August-November, while Rajasthan Education Minister Subhash Garg said his State was owed ₹4,000 crore for the August-November period.

A recent communication from the GST Council to States said that the Council in its next meeting on December 18 will discuss the revenue position in detail as lower GST and compensation cess collections have been a matter of concern in the last few months.
"The compensation requirements have increased significantly and are unlikely to be met from the compensation cess being collected," the communication said.

Also, the Council has sought suggestions, inputs or proposals on measures, compliance as well as rates to help augment revenue.

Both the Centre and States are worried about GST collection so far. After two months of contraction, GST revenues witnessed a recovery with a 6 per cent growth in November 2019 year-on-year, however total collection during the year so far is still below the estimate.

Though, GST collection on domestic transactions witnessed a 12-per-cent growth, on imports its contraction continued at (-)13 per cent.

Source: thehindubusinessline.com– Dec 04, 2019

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Defying authorities, Maharashtra cotton farmers seek plan to grow other GM crops

Maharashtra's cotton farmers who had defied the government and planted herbicide tolerant cotton (HTBT) in their fields are now planning to begin a technology freedom movement in the country that will be led by the Shetkari Sanghatana. The farmer body plans to take this movement further by planting other GM crops, including brinjal, from the next season, representatives of the Sanghatana revealed.

The movement began on June 10 this year when Lalit Bahale, a farmer and member of the Shetkari Sanghatana, led the resistance by planting the banned variety seeds on his farm at Shivar village of Akot taluka of the state . This caused a great stir in the country. Ajit Narde, who heads the technology cell of the Shetkari Sanghatana said that a comparative study of the experience of HTBT and BT cotton in the state will be made by experts and farmers. The farmer body shall release a survey on the comparative study of HTBT cotton versus BT cotton and decide the future direction of the movement, he said.

Narde said that at least 15 % of the cotton farmers in Maharashtra, around an area of 5-6 lakh hectares, have grown HT cotton this season, even though the government has banned its cultivation. A large number of farmers in Gujarat and Telangana are also growing HT cotton, Narde said.

"A comparative study by the farmer body reveals that while farmers who had planted BT cotton had to spend about `10,000 per acre for manual labour to remove weeds from their fields. In contrast, farmers who had planted HT variety sprayed their fields twice during the season with glyphosate, and spent `600 per spraying and their fields were cleaner with fewer weeds," Narde added. " This year rains continued even until Diwali and therefore the amount of weeds in the fields has been more, he pointed out.

Cotton is grown in nearly 20 districts in the Vidarbha, Marathwada regions and the northern parts of Maharashtra. While the HT variety occupies 10-15 % of the cotton fields in most of these districts, its use is almost 100 % in Gadchiroli and Chandrapur districts.

"Growing cotton was almost impossible in these districts as they get intermittent rain, leading to huge weed problem. Glyphosate-resistant HT cotton, however, solved the problem as it allows spraying of herbicide, unlike other transgenic varieties," Narde said. "We are working on the details of the survey and shall publish the findings publicly to create more awareness among farmers," he added.

This year the seeds were obtained illegally and we also discovered that nearly 10% of the HTBT cotton planted by the farmers was of the spurious variety, according to Narde. Gujarat and Telangana are the major cotton seed manufacturers in the country and HTBT cotton is freely cultivated in the state. However the success rate in Maharashtra has been higher because the weeding problem is more severe in Maharashtra due to black soil. Gujarat has sandy soil that is loose and hence farmers could use small tillers to remove weeds.

Narde said a large part of the barren land in Chandrapur and Gadchiroli, which receives very heavy rains every year and is not useful for other crops, has come under the HTBT cotton in last three-four years. Though HTBT variety can't be sold officially, a number of brands have been retailing hybrid cotton seeds with herbicide-tolerant gene for last three-four years, market sources said.

Presently, sowing, selling or storing of banned GM crops invites a fine of Rs 1 lakh and five years of imprisonment. Despite that, the farmers in Akola had carried on with their protest under the banner of Shetkari Sanghatana, reportedly stating that the government was free to take action against them. Narde said that the farmers would meet the government with their findings and press for freedom of technology.

Source: financialexpress.com- Dec 05, 2019

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India's MSMEs need a mega tech boost

Delhi-based Marg ERP is a fast-growing inventory and accounting software solutions provider, simplifying inventory management, accounting, payments, GST compliance, sales, marketing, HR, and other basic yet complex needs of micro, small and medium enterprises (MSMEs). "Marg ERP is reaching to the last mile of Indian MSME sector. Our target is to capture 40% of the Indian SME and MSME sector,"Sudhir Singh, managing director, Marg ERP, tells Sudhir Chowdhary in a recent interview.

How do you see technology as a key growth enabler for the Indian MSME sector?

Technology is a key enabler for scaling up the business and plays a significant role in growth. For seamless management of business operations, flawless accounting/GST filing/inventory management, wide customer reach, exposure to global markets, reduction of long run costs, etc., Indian MSMEs need higher adoption of future technologies. Technology, by facilitating ease of doing business and of managing operations, gives business an opportunity to explore newer avenues of growth and expansion. It aids businesses to look beyond their current spectrum of operations and geographies.

Tell us something about Marg ERP, when was it started and the journey so far?

To energise the MSMEs as growth engines of the country, Thakur Anup Singh, Mahendra Singh and I founded Marg ERP in year 2000. Today we are humbled that Marg ERP is new India's trusted technology partner for large, medium, small and micro enterprises' success, growth and ease of doing business.

With a focus on creating disruptive and user-friendly technology avenues for every business success, we (Marg ERP) have a strong R&D team of over 200 people catering simple and affordable solutions to over 21 trade segments. With footprint in over 25 countries the company now has global presence. The company is also on the mission of creating impactful education, skill development and job avenues in the country through Marg Skills.

How has Marg ERP enabled some of its customers to grow their business?

At Marg ERP, we are simplifying every complex business and growth need of MSMEs through innovative tech solutions to ensure ultimate efficiency. Our team and channel partners stay connected with our customers continuously to train and update them about the solution, making sure they fully explore the potential of the solution they are using.

Marg ERP is reaching to the last mile of Indian MSME sector. We are engaging them with the latest technology like, Push Sales, collaborative commerce, E-ordering to help the customers to grow their business with ease and affordability making them understand the product and its functioning, also ensuring the utilisation of it for the benefit of their business.

How do you differentiate yourself in the market place?

Marg differentiates itself in terms of its approach to provide the high-end solutions to even the smallest of businesses. Our strength is using our innovation to offer user-friendly and affordable solutions which are world class. We design and develop our solutions keeping the client's requirement at the focal point, translating operational convenience into technology solution structures. Features which are exclusively available on our platform as, collaborative commerce wherein the user can upload and download their invoices and all the mismatch conditions are totally eradicated through the system along with zero manual intervention and e-ordering mobile applications where we have enabled a retailer/ distributors to directly buy/ sell a product which automatically reflects in the books of the vendor without physical interference.

Other features include connected banking in the ERP system which enables businesses to initiate vendor & salary payments via RTGS, NEFT or IMPS directly from Marg ERP Software, it also automates reconciliation of banking and accounting entries, apply for working capital loans as well as schedule future dated payments.

Our target is to capture 40% of the Indian SME and MSME sector which is around 25 million. Also, we are aiming to add 100 more channel partners by next year to strengthen our network and reach out to underserved SMBs.

Source: financialexpress.com- Dec 05, 2019

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Unwilling to annoy arhtiyas, ginning factories stop purchasing cotton through CCI

Bathinda: Purchases through the Cotton Corporation of India (CCI) have come to standstill in Mansa with the six ginning factories contracted by it announcing not to buy raw cotton. The cotton ginning factories took the decision after the arhtiyas (commission agents) threatened to break all business ties with them if they continued to buy the produce through CCI.

The ginning factories on Monday announced not to make purchases or store cotton. Irked over it, farmers held a protest outside the residence of the Mansa deputy commissioner on Tuesday to demand procurement of cotton at the minimum support price (MSP) by the CCI.

Police tried to stop farmers from holding the protest, but they didn't budge and relented only after the district authorities assured them to take up the matter with the ginning factories.

The MSP for 27.5-28.5 mm long staple cotton is Rs 5,450 per quintal with the moisture content at 8%. The MSP decreases by 1% for every 1% higher moisture content till 12% — the permissible limit for the purchases. However, traders are buying raw cotton at Rs 4,900-5,100 per quintal in Punjab. Cotton had been sown over 3.92 lakh hectares in the state and over 13 lakh bales (1 bale=170kg) are expected to be produced.

Over three lakh bales have arrived in the Punjab mandis and CCI has till now purchased only 40,000 bales. The corporation is making purchases in 19 mandis in Punjab and has contracts with over 50 ginning factories. "As CCI is making direct purchases from farmers bypassing them, the arhtiyas not want the central agency to make purchases and they made ginning factories not to cooperate with CCI at the cost of annoying them", said an office bearer of Mansa arhtiya association.
"The ginning factories' owners were reluctant in making purchases or storing cotton for few days through CCI but the we had prevailed upon them on Saturday. After the ginning factory owners allowed CCI to make purchases for them, the arhityas mounted pressure on them and the ginning factory owners on Monday they announced not to make purchases through CCI. We are in talks with district administration to break the deadlock," a CCI official said.

"The private traders are offering much less prices than the MSP at which CCI makes purchases. As after the ginning factories announced not to store cotton purchased through CCI, the central agency has stopped making purchases and under such circumstances the farmers are forced to sell the crop at up Rs 500 per quintal less than MSP. The farmers are not in a position to bear such loss. We have lifted the protest after the authorities assured to solve the issue by Wednesday evening but it is not solved we will hold bigger protests on Thursday," said farmer organization BKU Ekta Ugrahan district president Ra, Singh.

Mansa officiating DC Rajdeep Singh Brar said, "The district administration is seized of the matter and will do whatever could be done under legal framework. The administration is making efforts for factory owners to cooperate to CCI."

Source: timesofindia.indiatimes- Dec 04, 2019

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Apparel retailers see revival in sales

Contribution from private labels, discounts and retail expansion boost sales

After long lull, apparel retailers are seeing a revival in demand led by Tata-owned Trent, Aditya Birla Fashion and Kewal Kiran Clothing on higher contribution from private labels, discounts and recent retail expansion.
Though the demand has been impacted by the economic slowdown, consumers, especially from tier-II and -III have turned more brand conscious and wary of quality being delivered by online fashion retailers. For instance, Westside, the retail subsidiary of Trent, recorded nearly 85 per cent growth in revenue with higher contribution from substantial sales growth from stores at existing locations that has been in operation for at least one year.

Analysts have attributed the higher sales from stores in existence for over one year to company's focus on private labels and enhancing the shopping experience. Westside derives nearly 97 per cent of its revenue by selling private brands which also delivers higher margin.

Similarly, Kewal Kiran Clothing reported 24 per cent growth in revenue from its leading brand Killer Jeans and 11 per cent from Easies by Killer. Kewalchand P Jain, Chairman and Managing Director, Kewal Kiran Clothing said, “the two brands Killer and Easies by Killer had contributed about 70 per cent of the overall sales in second quarter of this fiscal.” The brand also sustained its market share led by company’s focus on branding activities like organising various large scale Autumn Winter bookings in mega events organised in Goa and Hyderabad, he added.

Trent’s revenue in the first six months of this fiscal was up 32 per cent while that of Aditya Birla Fashion and Kewal Kiran was up 11 per cent and seven per cent. Trent's Westside has been adding stores steadily and has 158 stores across India as of March. Only V-Mart and Future Lifestyle have added stores at a similar pace.

Trent recently acquired retailer Zudio from its joint venture Trent Hypermarket and plans to increase the Zudio store count to 120 by the end of this fiscal.

Source: thehindubusinessline.com- Dec 03, 2019

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