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IBTEX No. 140 of 2018 July 06, 2018

USD 68.86| EUR 80.52 | GBP 91.04 | JPY 0.62

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21991	46000	**85.56**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
22280	46605	**86.69**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	81.85
ZCE Cotton: Yuan/MT (Jan 2019)	15,485
ZCE Cotton: USD Cents/lb	**89.88**
Cotlook A Index – Physical	**94.2**

Cotton guide: 5 days ago ICE cotton for December delivery had breached 50-day moving average. Since then price plunged from 84.50 cents to 81.96 cents per pound. Basically this whole week cotton has been trading lower.

This morning during Asian session at 8:30 AM IST the same underlying is trading near the 100-day moving average at 82.11 cents per pound. We might see interim support to the price from further decline.

However, breach of 81.20 the fall might extend sharply towards 80 cents. For the day we are hoping that cotton might trade sideways and the range on the lower side could be respected near the given support level while on the higher 83/83.50 cent continues to be a strong resistance level. For detailed report please get in touch with Kotak Commodities Research Desk.

Currency Guide: Indian rupee trades little changed near 68.9 levels against the US dollar. Rupee is steady amid mixed cues. Supporting rupee is correction in crude oil price from recent high on unexpected rise in US crude oil stocks.

The US dollar index has also stabilized post FOMC minutes as Fed officials expressed optimism about US economy but worries about impact of trade war. However, weighing on rupee is general weaker risk sentiment as US and China import tariffs on $34 billion goods are due to become applicable today.

Also weighing on rupee are concerns that the government's decision to raise minimum support prices for crops will stoke inflation.

Rupee may continue to remain under pressure as trade war worries will keep risk sentiment weak. USDINR may trade in a range of 68.75-69.2 and bias may be on the upside.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	RCEP: More Than a Trade Deal
2	Belarus to step up cooperation with China's Liaoning Province
3	China cotton futures fall nearly 3 pct ahead of trade tariffs
4	USA: Uncertain trade policies may disrupt global cotton market
5	For Egypt's exporters, benefits of devaluation slow to emerge
6	Trump’s trade war triggers global food fight
7	Yuan fall worries Vietnamese firms
8	Trade benefits for Bangladesh to stay post Brexit: UK
9	Vietnam textile firm bets on eco-friendly products
	NATIONAL NEWS
1	Will India repeat its success story? Suresh Prabhu is working on detailed strategy in this area
2	GST set to tear apparel exports by 10% in FY19
3	Hiked cotton MSP to jack up clothing cost, affect exports, says SIMA
4	Garment exporters expect GST refund of ₹4,000 cr
5	India taxes farmers, but MSPs are not the solution
6	Global textile tech expo on Jan 18
7	Tight supply to keep cotton prices in India firm in FY19
8	India is set to overtake China in textile sector
9	SIMA bats for PSF for cotton
10	U.S.-China Textile Trade War Will Benefit India, Says Arvind’s Sanjay Lalbhai

INTERNATIONAL NEWS

RCEP: More Than a Trade Deal

Even as the trade ministers of 16 countries met on July 1, 2018 for yet another round of trade talks in Tokyo and are already preparing to meet again in two weeks' time in Bangkok, the writing on the wall is clear! Five years of negotiations among the China-led 16 country grouping is not merely about trade. It's also geo-strategic and the bigger the country the greater it's influence and leverage!

The Regional Comprehensive Economic Partnership (RCEP), comprising ASEAN plus six other regional states: China, Japan, Korea, Australia, New Zealand, and India, endeavours' to create a free trade zone comprising of almost half the world's population and 30 % of global trade by value, with a year-end target for a comprehensive consensus on the deal.

Surely, it's more than a deal about trade for China. Evidently, China seeks conduits for its goods to flow through its Belt and Road Initiated Infrastructure. Critics say that China has been the key driver for furthering this pact in the response to the 'fast track' status that was given to Trans Pacific Partnership (TPP) by Barack Obama. When the Obama administration proposed the TPP, the logic was again based on gaining strategic influence in global matters: Evidently, 'If the United States did not write the rules on trade, China would.'

The fact that Trump walked out of the TPP, there is a new urgency for China to see RCEP through. The geo-strategic logic is the one that looms large. China's Belt and Road Initiative, with an investment of more than USD 200 billion and counting, embraced by more than 65 countries is all about strategic influence via its vast network of roads, railways and ports.

It's not only about China seeking influence. The Abe government in Tokyo is already advocating its own "Free and Open Indo-Pacific Strategy" as announced in August 2016. Inevitably, the plan includes both trade and investment for high quality infrastructure, extending it across the Asian region to India. Japan has already pledged $110 billion for that effort in February this year.

India, for its part, has organised several summit level meetings to celebrate twenty-five of its dialogue partnership with ASEAN, with the highlight being the presence of all the leaders of the ten ASEAN countries at it's Republic Day celebrations in January this year.

Modi Government's 'Act East' policy compels it to demonstrate its willingness to join the pact despite the fact that it already has in place free trade agreements with ASEAN, Japan and South Korea and is negotiating similar pacts with Australia and New Zealand. India also has several major reservations on RCEP.

South Korea, Australia and New Zealand view the RCEP as a lever to galvanise their relations with ASEAN countries.

To shift the attention from itself to ASEAN, China is stressing on ASEAN's core role and centrality in concluding the deal. This was evident when the Foreign Ministry spokesman Hua Chunying in January this year, said that China "firmly supports ASEAN's core-leading role" in the negotiations, and that it was willing to strengthen communication and cooperation to conclude negotiations as soon as possible.

Within ASEAN, concluding the deal appears challenging by 2018 and even more challenging in 2019. While Laos has some reservations on free trade, there's a new government in Malaysia with re-thinking on China's ambitions, Thailand's junta is preparing for elections early next year and Indonesia's presidential election is scheduled for April 2019.

Singapore, however, as the Chair of ASEAN and host to the 22nd round of RCEP negotiations continues to hope that during its tenure it would be able to facilitate a 'historic' breakthrough.

Disagreements on issues from as basic as defining free trade to data management and the movement of professionals continue to require frequent engagement among the negotiators. In fact, after 5 years and 22 rounds of negotiations, RCEP members have achieved a consensus on just two of the agreement's 18 sections.

In such a scenario, can the RCEP be then signed in the next six months, merely to signal to the world that this China-led deal holds the promise for an Asia-Pacific integration in the longer term? For sure, No deal is better than a deal gone sour!

Source: eurasiareview.com- July 05, 2018

HOME

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Belarus to step up cooperation with China's Liaoning Province

Belarus intends to take cooperation with Liaoning Province, China to the next level, the press service of the Belarusian Economy Ministry told BelTA. Belarusian Deputy Economy Minister Pavel Utyupin met with a Liaoning Province delegation on 5 July.

A brief presentation of Liaoning Province was arranged during the meeting. The Chinese side expressed interest in buying Belarusian foods, promoting Belarusian products through digital platforms, and considering cooperation options within the framework of the China-Belarus industrial park Great Stone.

The Belarusian side said it is ready to establish and advance cooperation with companies located in Liaoning Province, including by means of their buying shares in Belarusian companies.

Liaoning Province is the most economically developed and richest province in China's northeast. The province is sometimes referred to as the Golden Triangle due to its important geographical position. Liaoning Province occupies 146,000km2 and is home to 43.7 million people.

The gross regional product totaled $353 billion in 2017. Liaoning Province boasts well-developed petrochemical industry, metallurgy, food industry, textile industry, pulp and paper industry, and mechanical engineering.

Source: belta.by- July 05, 2018

HOME

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China cotton futures fall nearly 3 pct ahead of trade tariffs

Chinese cotton futures fell nearly 3 percent in early trade on Thursday, amid fears that a protracted trade dispute between the world's top two economies could affect China's textile exports.

The most actively traded cotton contract on the Zhengzhou Commodity Exchange touched 16,045 yuan ($2,418) per tonne, the lowest level in three months. It was trading down 1.9 percent at 16,270 yuan ($2,451) per tonne at 0200 GMT.

Futures rallied in early May as investors piled into the market amid worries over supplies

Those gains have been eroded in recent weeks, and investors continued to exit the market a day before United States' tariffs on $34 billion worth of Chinese goods are set to kick in

Concerns are growing that the trade dispute could affect textile exports from China, the world's top exporter, said Chen Jing, analyst at Citic Futures in Beijing

Chinese currency and equity markets have also been volatile ahead of July 6, with the yuan recording its worst month on record in June, losing about 3.3 percent of its value against the greenback. ($1 = 6.6354 Chinese yuan renminbi)

Source: reuters.com- July 05, 2018

HOME

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Uncertain trade policies may disrupt global cotton market

Trade relations between the US—the world's largest cotton exporter—and China—the world's largest cotton consumer—are tense.

China has announced a 25 per cent tariff on uncombed US cotton that is scheduled to go into effect on July 6, 2018. The uncertain trade policies along with tight markets create uncertainty in the short-term in global cotton markets.

Cotton demand is up, especially in Asia and South Asia, but drought conditions in the West Texas region of the US and the potential of new tariffs on cotton are serious concerns—and one of the reasons that prices have dropped from a season-high of 102 cents per pound, according to the July 2018 edition of Cotton This Month, released by the International Cotton Advisory Committee (ICAC).

However, the current price for cotton is still higher than the season average to date—87 cents per pound—and considerably higher than the 20-year historical average of 73 cents per pound.

The ICAC price forecast for 2017-18 is 86 cents per pound. For 2018-19, the ICAC secretariat is projecting the average price to end between 66 and 107 cents per pound.

While both production and consumption are projected to increase in 2017-18, higher production will result in world stocks increasing 3 per cent to 19.3 million tonnes, following two seasons of continual decreases in global stocks.

Consumption in 2018-19 is projected to grow 5 per cent to 27.4 million tonnes with production projected at 25.9 million tonnes. With consumption expected to outpace production in 2018-19, global stocks are expected to decrease to 17.8 million tonnes.

Source: fibre2fashion.com- July 06, 2018

HOME

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For Egypt's exporters, benefits of devaluation slow to emerge

Like other exporters, the former chairman of the Ready Made Garments Export Council of Egypt had hoped the November 2016 devaluation of the country's pound would trigger a surge in foreign sales.

That has been slow in coming even though the currency's value against the dollar has more than halved since then, but Kassem is confident that his new $350 million project - a huge, customs tax-exempt textile complex - will be one cog in an export revival by the time its looms start humming.

Sponsored

"Egypt does not produce enough fabric in the quantities that are needed. This is the last component to complete the entire supply chain," he said.

Egypt's economy was damaged by years of unrest that followed a 2011 uprising which toppled long-time leader Hosni Mubarak. Current president Abdel Fattah al-Sisi, now serving a second term, promised to put it back on track.

"Exports from Egypt have not been as sensitive to the changes in foreign exchange rates as in other countries, and that's why we haven't seen a bigger pick-up in exports," said Reham Eldesoki, a Cairo-based economist.

High interest rates, a breakdown of trust by foreign buyers during the post-uprising years and a lack of capacity to meet changing foreign demand have all played their role.

"It's the bureaucracy. It's the market access. It's the quality control," Eldesoki said. "Foreign buyers wanted a consistent supply, and Egyptian producers were not able to give it to them," added Tarek Tawfik, head of the American Chamber of Commerce in Egypt.

MEASURING UP

In 2017, growth in non-oil exports was a relatively modest 9.2 percent, far short of pre-uprising levels, though a jump to 19 percent in the first three months of 2018 - according to central bank figures - points to a change for the better.

That figure roughly matches the annual growth rates of cotton textile and garment exports in the seven years that followed Egypt's previous major devaluation in 2003.

That boom lasted until the 2011 uprising. In the turmoil that followed, textile and clothing exports contracted, weighed down largely by an overvalued currency.

Kassam hopes the current tentative recovery will be better established by the time the first product from his new industrial park for textile production is scheduled to ship in two or three years.

The complex near the city of Minya, 200 km (120 miles) south of Cairo will cover 1.3 million square meters and focus on spinning, dyeing, weaving and finishing, with some 90-95 percent of its output to be designed for export.

Chinese investors have shown interest in the project - "Egypt now imports yarn and fabric from the Far East," Kassem said - and in March the prime minister provisionally designated it a free trade zone.

SWINGS AND ROUNDABOUTS

While a recent law requiring foreign suppliers to register with the government has made life harder for Egyptian manufacturers who need foreign parts, Tawfik says another law is being introduced to streamline the hyper-regulated food production business.

He said the previous system where producers had to report to multiple authorities has now been replaced.

"Now we have a food safety authority enacted that supersedes the seven ministries and the 15 regulatory authorities. Thus the problem is rectified."

Source: reuters.com- July 05, 2018

HOME

****

Trump's trade war triggers global food fight

Potential victors in tariff tussle include German piggeries and Vietnamese yarn spinners

Spiralling trade tensions between the US and its key trading partners are starting to reshape the market for agricultural commodities. While US soyabean farmers risk being significant losers, Vietnamese yarn spinners and German pig farmers look like potential winners.

Canola

Chinese buyers of soyabeans, such as state-owned Cofco, have already turned to Brazil as an alternative to the US for supply of the livestock feed. Soyabeans are one of the commodities targeted by Beijing as a retaliation against US import duties.

However, producers of canola, or rapeseed — another oilseed that can be crushed and fed to livestock — may also prove winners.

Even before the flaring of trade tensions with the US, China had been buying more canola. The country bought about 4.8m tonnes of canola last year, up a third from 2016, with the bulk coming from Canada, the world's largest exporter.

"China is looking to import more canola and rapeseed as long as prices are competitive," said Tracey Allen, an analyst at JPMorgan.

Although canola imports are just a fraction of China's soyabean purchases, which totalled 95m tonnes last year, hopes of further buying has been enough to hold the Canadian canola price firm.

ICE canola for November has risen almost 3 per cent since the start of the year to C$506 per tonne, with the premium over soyabeans more than doubling to more than C$85 per tonne.

Some investors are already trying to profit from the move. "The spread between [canola and soyabeans] have widened as hedge funds have gone long canola and short soyabeans," said Mike Jubinville, analyst at Pro Farmer Canada.

Corn

Fears over the future of Nafta, the free-trade agreement between the US, Mexico and Canada, has already encouraged Mexico to diversify its sourcing of agricultural commodities.

China has put corn on its list of US products that will face import duties from July 6, which has shifted the focus on to where US exports will go and how Mexico, the biggest importer of corn from its northern neighbour, will react.

The Latin American country has not included any measures on corn in its response to tariffs the US has imposed on steel and aluminium products.

But last year Mexico purchased just under 600,000 tonnes of the grain from Brazil, a tenfold increase from 2016, according to data from the International Trade Centre. Although this is only 4 per cent of Mexico's overall corn imports, the country's efforts to reduce its reliance on the US will only increase, analysts said.

"It will be hard to replace all US imports but up to 30 per cent can be bought from Brazil, Argentina and other countries," said Stefan Vogel, Rabobank's head of agri commodity markets research.

Cotton

Cotton is another commodity on the list of tariffs targeted by Beijing. Given China is the second-largest buyer of US cotton, prices in Chicago have plunged as trade tensions escalate.

China will try to buy more cotton from such regions as Australia, west Africa and Brazil, according to cotton merchants Plexus. India, another leading producer, is also likely to win more market share as a result.

Another beneficiary could be yarn producers in Vietnam, who import US cotton and export the yarn to buyers, including in China. The Vietnamese yarn spinners are already reaping gains from the fall in cotton prices that has pushed up their margins.

“The Vietnamese should be beneficiaries from the low [US cotton] prices,” said Ms Allen of JPMorgan.

Pork

Germany’s pig farmers saw their produce sent to Mexico for the first time in June, as Mexican tariffs on US pork created opportunities for rival producers.

With Mexico and China, two leading destinations for American pork, set to slap additional duties on imports this week, the ramifications for the market are likely to deepen.

“[US] shipments to China are declining as [Chinese] buyers are looking for other sources,” said Justin Sherrard, global strategist of animal protein at Rabobank.

Beijing lifted duties on US pork to 37 per cent from 12 per cent in April, and will raise them again on July 6.

China is by far the largest producer, consumer and importer of pork, while Germany is the leading exporter followed by the US.

Analysts say Canada and Spain will also be looking to take advantage of a fracturing in trade relations between America and China.

“There is a lot of rearrangement of trade flows, which means opportunities for some and risks for others,” Mr Sherrard added.

Beef

As Beijing gears up to impose tariffs on US beef, Australian farmers could gain. It does not take up a lot of space on the shelves of Chinese retailers, but US beef is considered a premium product.

Producers of US beef regained access to the Chinese market for the first time in 14 years in 2017 and, along with Australian beef, commands a premium price. By contrast, beef from Brazil, the top exporter to China, is seen as "volume products" according to a US Department of Agriculture report.

Selling beef in the premium Chinese market is about building the brand and confidence, according to analysts, who point to the damage that tariffs could do.

The tariffs "could ultimately restrict market access and weaken a major competitor of Australian beef exporters", said Mark Bennett, head of Australian agribusiness at ANZ.

Source: ft.com - July 05, 2018

HOME

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Yuan fall worries Vietnamese firms

They fear that strong Chinese exporters might sell their products in large quantities, taking advantage of the weakened currency.

The decline of Chinese yuan (CNY) against the U.S. dollar over the last two weeks as a result of trade tensions between the world's two largest economies has sparked fears among Vietnamese businesses that they will not be able to compete with their Chinese counterparts.

Although the yuan rose sharply to 6.6242 against the U.S. dollar on Wednesday, this was just a recovery from a bigger tumble that had begun in mid-June and hit the lowest in 11 months at 6.7294 per dollar on Tuesday, according to Reuters.

The fall in yuan's value against the dollar will open the door for Chinese exporters to up sales of products to increase profits, economist Vu Dinh Anh told the Thanh Nien newspaper.

The effect won't be immediate, but eventually Vietnamese main lines of export will be affected as they would have to face strong Chinese exporters, he added.

For Vietnamese textile businesses, the E.U. is currently the second largest export market, after the U.S. If the yuan continues to drop, China might increase its textile exports to the E.U., making things hard for Vietnamese businesses, said Pham Xuan Hong, chairman of the HCMC Garment and Textiles Association.

Vietnam may not reap expected benefits of signing the Free Trade Agreement (FTA) with the E.U. if China exports its textile products to this bloc in large quantities and competes with Vietnamese products, Hong said.

The CEO of a steel firm in Vietnam, who did not want to be named, said that if local steel businesses keep importing large quantities of Chinese rolled steel, the consequences will be severe.

Vietnam applied a self-defense tax on imported rolled steel in April 2016, but businesses have been trying to label their purchased steel from China as another type of steel to avoid it.

“Steel businesses need to refrain from importing cheap steel from China, or Vietnam’s steel industry won’t be able to compete in the regional market,” the source told VnExpress International.

China will also seek to export its steel to ASEAN as the yuan weakens, reducing Vietnam’s opportunity to do well in the regional market, the source added.

Other industry insiders fear that as the yuan’s value is low, manufacturing firms will rush to import made-in-China products in large quantities and neglect investing in their facilities and technology to increase export capability.

In turn, this could reduce the benefits Vietnam could receive when the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) comes into effect, they worry.

‘Just sit tight’

Meanwhile, Vietnamese importers will gain from the weakened yuan as most of them are importing machines and goods to Vietnam first and paying back in CNY at a later time, economist Vu Dinh Anh said.

Local firms getting things on credit from their Chinese counterparts will have the advantage if CNY stays low, he added.

Other experts believe that Vietnam will not be immensely affected by the currency fall, and need not be too worried.

The country should not be too concerned and make the mistake of lowering the Vietnamese dong to follow the yuan, said economist Bui Trinh.

“Vietnam has made that mistake in the past, but in this circumstance, it should just sit tight and not worry,” he said.

He added that the fall of CNY will only benefit local firms that have been taking large amounts of goods from Chinese businesses on credit, which they can pay at back with a lower exchange rate.

Trade turnover between Vietnam and China reached $93.69 billion last year, up 23.2 percent from 2016 and accounted for 22 percent of Vietnam’s total trade turnover, according to Vietnam Customs. The figure is estimated to reach 100 billion this year.

Source: e.vnexpress.net- July 05, 2018

HOME

****

Trade benefits for Bangladesh to stay post Brexit: UK

British minister of state for Asia and the Pacific Mark Field has said the United Kingdom will continue to offer the trade facilities Bangladesh is enjoying now there even after Brexit.

The level of negotiation will be broadened with Bangladesh after Brexit, he said at a press briefing after a meeting with Bangladesh commerce minister Tofail Ahmed in Dhaka.

Mark visited a number of readymade garment factories in the country and expressed satisfaction over the environment-friendly initiatives there, according to Bangladesh media reports.

Tofail said both discussed bilateral trade relations, duty-free market access, coming national elections and the Myanmarese Rohingya migrants issue.

Source: fibre2fashion.com- July 05, 2018

HOME

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Vietnam textile firm bets on eco-friendly products

For price conscious Vietnamese consumers, an organic product more expensive than its normal version is not an attractive option, but one firm has decided to be persistent.

The Phong Phu Textile and Garment Company introduced its made-in-Vietnam eco-friendly towel brand last December, attracting media attention as one of the first firms in the country to produce an organic textile product.

The Mollis Organic towels are made from 100 percent organic cotton. No genetically modified organism, chemical fertilizer or pesticides are used in the making of this product, the company asserts.

The company would strive to bring organic products to its customers although their production costs are high and profits uncertain, Pham Xuan Trinh, CEO of the Phong Phu Textile and Garment Company said.

The company prices its organic towels from VND60,000-250,000 ($2.62-$10.91) depending on the size, about 20 percent higher than conventional products, while made-in-China towels are sold for just VND15,000 ($0.65).

Since awareness of the importance and advantages of organic products is relatively low among a majority of Vietnamese consumers, Phong Phu is struggling to sell its organic towels to local customers.

“We’ll continue to invest in organic products despite low profits with the hope that one day Vietnamese customers will see the true value of organic products,” he said.

The company spent VND4 billion ($174,600) last year on research and development for its organic products.

As Vietnam's conditions are not currently suitable for growing organic cotton, the company imports its material from Bangladesh, India and Israel. The processing and manufacturing processes happen in Vietnam.

The company has so far exported its organic towels to Japan and South Korea, aiming at the high-income customers in these countries.

Phong Phu recorded a profit of VND149 billion ($6.5 million) in the first half this year, a growth of 7 percent from the same time last year, but most of it came from conventional non-organic products, including towels and denim jeans.

Source: retailnews.asia- July 05, 2018

HOME

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NATIONAL NEWS

Will India repeat its success story? Suresh Prabhu is working on detailed strategy in this area

India's exports are growing at a healthy rate and may record about 20 per cent growth in June, Commerce and Industry Minister Suresh Prabhu said today. He said the ministry is working on a detailed strategy to push the shipments.

"In May, our exports went up by almost 20 per cent and it looks like in June also, it (rate of growth) will be close to 20 per cent," he said here at an event of Federation of Indian Export Organisations (FIEO). However, these are challenging times for global trade as countries are taking protectionist measures, he noted.

Countries are trying to put sanctions for their benefit but it would not give positive results as economic sanctions essentially mean "that you are cut-off from rest of the world", Prabhu said. "We are working on a combined strategy about what could be done so that exports increase at a rapid rate," he added.

The minister was addressing exporters on preparing strategy to add 100 billion dollar to India's exports. The strategy is expected to be finalised by the end of this month. The official figures for June will be released by Commerce Ministry on July 15.

The country's merchandise exports grew 201.8 per cent, highest in six months, in May to USD 28.86 billion. Prabhu also said banks should lend exporters as part of priority sector lending so that they do not face credit-related issues.

He said the government is providing support to boost exports and India will not be affected by the headwinds at global trade level.

"Exports should be treated as priority sector lending by the banking system. Soon we will be holding a meeting with Indian Bank Association to discuss the issue," he said. Talking about US challenging India's export benefit schemes in the World Trade Organisation (WTO), he said the government is dealing with the matter as "we have to follow the rules of WTO".

FIEO President Ganesh Gupta outlined several challenges being faced by Indian exporters including delay in GST refund and high cost of credit.

The organisation has prepared a detailed plan to add 100 billion dollar to India's exports. In 2017-18, exports rose about 10 per cent to USD 303 billion.

Source: financialexpress.com- July 06, 2018

HOME

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GST set to tear apparel exports by 10% in FY19

India's apparel exports downturn may continue and is expected to decline by overall 10 per cent in FY19, a senior industry official said here. In 2017-18 exports declined by 4 per cent to $16.7 billion. "Country's apparel exports have taken a beating from October 2017 onwards.

The introduction of GST has resulted in non-refund of several embedded taxes. Consequently exports for the financial year 2017-18 declined by 4 per cent to $16.7 billion from 17.38 billion in the previous year," the Clothing Manufacturers Association of India (CMAI) president Rahul Mehta told reporters here.

The downturn continued in FY 2018-19 with a month on month decline of 8-10 per cent and it is expected to witness overall decline by 10 per cent in FY19, Mehta said.

The country exports nearly 70 per cent of cotton garments and 20 per cent jump in cotton prices in last few months has also hit exports severly, he said.

The industry is having talks with the textile ministry and the government has assured that embedded taxes will be refunded through the drawback route.

Commenting on domestic apparel market, Mehta said, country's domestic apparel market is estimated at $67 billion, which has grown at a CAGR of 10 per cent since 2005.

Indian domestic market has performed better than the largest consumption regions like US, EU and Japan, where depressed economic conditions led to lower demand and growth.

Due to presence of strong fundamentals, the domestic apparel market size of India is expected to grow at 11-12 per cent CAGR and reach about $160 billion by 2025.

The domestic market size is dominated by ready-to-wear category, market size $56 billion, with 84 per cent share which is further growing at a CAGR of 10-11 per cent.

The ready-to-stitch market currently at $11 billion is expected to grow at a CAGR of 7 per cent and reach about $20 billion in 2025. In order to boost domestic trade, CMAI is organising a 67th national garment fair between July 16-19 this year in Mumbai.

Nearly 916 exhibitors in 986 stalls are displaying 1,087 brands. The apparel trade show is expected to transact business worth Rs 700-800 crore, Mehta added.

Source: economictimes.com- July 05, 2018

HOME

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Hiked cotton MSP to jack up clothing cost, affect exports, says SIMA

The steep increase in cotton MSP, as announced by the Centre yesterday, will largely benefit farmers, but should make clothing costly, according to Southern India Mills Association (SIMA).

It might also affect the cotton exports if Indian cotton prices ruled above international ones, SIMA chairman P Nataraj said while hailing the 'proactive and historical' initiatives of the Prime Minister to strengthen the agriculture sector.

In a statement, he appealed to the Prime Minister to exercise cotton MSP operation under Direct Benefit Transfer System (DBT) and revamp the role of Cotton Corporation of India (CCI) to the benefit of farmers and the industry.

India was become the largest cotton producer with a share of 36 per cent of world cotton acreage covering 11.8 million hectares, production of 6,290 million kg and export 1,190 million kg during the season 2017-18.

Nearly 2.3 crore farmers are currently cultivating cotton, he said. Owing to the 5 to 10 per cent price advantage when compared to international price, homegrown cotton had been the engine of growth for the textile industry, the second largest employment provider next only to agriculture.

Price volatility had also often been eroding the working capital and profit margins of the industry and restricting the growth rate between 6 and 8 per cent as against the potential of 12 to 16.

The country could take advantage of TechnologybMission on Cotton (TMC) that existed between 1999 and 2002 and also the introduction of Bt Cotton, he said. He said TMC had not been extended and the farmers were suffering because of spurious seeds, lack of seed technology, agronomy research, lack of technology transfer, quality deterioration at ginning stage (admixture of waste cotton), inferior quality cotton, high trash, contamination and high moisture content.

Nataraj urged the Prime Minister to approve TMC-II proposal already submitted by the Ministry of Textiles and to constitute a task force and prepare a detailed report based on the recommendations already made Nataraj said productivity per hectare is stagnated at 500 to 550 kgs per hectare as against over 1,500 kg achieved by around 20 countries and Australia was able to achieve over 2,200 kg.

The Price Stabilisation Fund Scheme and TMC with revised format were needed to double business size and exports by 2022 as envisaged by the Prime Minister, he said.

Source: covaipost.com- July 05, 2018

HOME

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Garment exporters expect GST refund of ₹4,000 cr

Notwithstanding the sharp drop in exports, textile companies are expecting the government to refund ₹3,000-4,000 crore of GST levied on the shipments made since the implementation of GST.

The blockage of funds with the government and rising operational cost are expected to pull down exports by 10 per cent this fiscal, said Premal Udani, Chairman, Board of Trustees of Clothing Manufacturers Association of India (CMAI).

To facilitate exports, the government refunds embedded taxes through drawback rates which is currently fixed at 1.6 per cent. The industry has demanded that the rates be increased to 7 per cent given the high incidence of taxes, he added.

The Government cannot expect exporters to be competitive in global market after incurring such high levies, he said.

Exports fell four per cent in the financial year ended March to $16.7 billion, against $17.38 billion logged in same period last year. Going by the export trend in the first quarter of this fiscal, all indications are that it will fall by at least 10 per cent, he added.

Rahul Mehta, President, CMAI, said the increase in minimum support price for cotton will hit the industry further as 70 per cent of garment exported are cotton-based.

Cotton prices have gone up 20 per cent in last four months impacting the cost matrix of exporters, he said on the sidelines of an event to announce the 67th National Garment Fair in Mumbai between July 16 and 19.

The strong compounded annual growth of 10 per cent to $67 billion in domestic demand since 2005 is the only solace for garment companies.

In contrast, the demand in the US, EU and Japan has slowed down due to weak economic conditions.

The unorganised apparel market accounts for 65 per cent of the overall domestic trade of $67 billion.

Dominated by the ready-to-wear category at $56 billion, the domestic apparel market is expected to touch $160 billion by 2025, said Mehta.

Source: thehindubusinessline.com- July 06, 2018

HOME

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India taxes farmers, but MSPs are not the solution

Given how almost Rs 1.5 lakh crore has been disbursed by a clutch of states for farm loan waivers already this year, and the sharp jump in minimum support prices (MSP) announced by the Centre on Wednesday—52-97% higher than the A2+FL based-prices—it is clear farmers are in deep distress and that the political class is doing whatever it can to try and alleviate this. But these are costly ways to placate farmers—and keep them from financial ruin—and are, even in the short term, fiscally unsustainable.

The better way to fix the terms of trade that are against agriculture would be to, among others, put in place a good export policy so that the larger demand from the world markets fetches farmers a better price.

Similarly, while various state government policies hinder movement of farm produce from one state to another—so selling in higher-price markets gets difficult—another way to help farmers would be to reduce these artificial barriers; some states allow high middlemen commissions or even rigged markets, all of which lower the value the farmer gets.

An Icrier-OECD study shows farmers have not been getting the international price for their produce consistently over very long periods of time; this is not surprising because the government tends to ban exports or limit them, from time to time, to keep a lid on local prices.

The Producer Support Estimate (PSE), which is essentially the measure of the difference between the price got locally and the international price, is negative for India—minus 6% over 2014-16 and minus 14% from 2000-2016.

In fact, between 2014 and 2016, farmers in India earned prices that were lower than those in the world markets for 14 out of 20 commodities. Indeed, while a negative PSE means India is really taxing its farmers—and that is after accounting for various subsidies such as those on fertiliser that the government doles out—the OECD average PSE is over 15%, which means these countries subsidise their farmers in a big way.

Seen in this light, the sharp hike in MSP seems justified—the farmers are being taxed, so the government is doing the right thing by promising them more money. The problem, however, is that this is not sustainable. While the government did not put out numbers on how much of various crops it will procure, the cost is substantial; and if the higher MSP doesn't result in a meaningful amount of procurement, it won't help farmers.

But MSPs, at the end of the day, distort both the cropping and consumption patterns, skewing them towards wheat and paddy because typically the government procures about 30% of the rice and wheat harvested. Similarly, when MSPs for cotton are hiked in the manner they were, India's cotton becomes more costly than that globally, and that, in turn, causes a reduction in exports of cotton fibre as well as cotton textiles/garments.

In which case, as cotton prices fall in the local market, farmers will need more and more government procurement to keep them afloat; in even the medium term, this is not sustainable, especially since, the greater the distortion, the greater the destruction of natural demand.

A related issue that India's trade negotiators need to work on relates to the WTO—India can't have the huge taxation that Icrier-OECD talk of and also be subsidising its farmers in the way it is being accused of at the WTO. WTO rules need to be rewritten, but no developed nation is willing to discuss that.

Source: thehindubusinessline.com- July 06, 2018

HOME

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Global textile tech expo on Jan 18

The second edition of GTTES 2019 (Global Textile Technology and Engineering Show) is slated between January 18 and 20, 2019 at Bombay Exhibition Centre, Mumbai.

A roadshow to sensitise about this upcoming event was held in the textile hubs of Tirupur and Coimbatore on Thursday by India International Textile Machinery Exhibition Society .

India ITME Society plans to organise similar shows across the textile hubs in the country. Inviting the textile industry in this region to capitalise on the opportunity that GTTES 2019 platform offers, Hari Shankar, Chairman, India ITME Society said all the export promotion councils have endorsed this event as a platform for meeting up with domestic requirement with the Make in India initiative for facilitating and encouraging the textile and textile engineering sector.

Around 450 exhibitiors have registered for the event so far, he added.

Participants

Besides India, participants from countries such as Australia, Austria, Argentina, Bangladesh, Belgium, Canada, China, Czech Republic, France, Germany, Iran, Italy, Indonesia, Japan, Korea, Malaysia, Pakistan, Sri Lanka, Sweden and Turkey are to take part in this expo.

Hari Shankar said that B2B meetings with African delegation has been scheduled for January 18, technical textiles seminar on January 19 and Colours and Dyes seminar by the Society of Dyers and Colourists on January 20.

Seema Srivatsava, Executive Director, India ITME Society highlighted the opportunities that expos such as this would offer to the textile industry stakeholders.

“India is the world’s second largest textile market and the biggest market for textile machinery as well. GTTES 2019 would therefore help translate the demand to supply,” she said, urging the units here to explore and exploit the market potential.

The organisers are planning to organise the sensitisation campaign in Erode, Salem and Karur — the other textile hubs in this part of the country.

Source: thehindubusinessline.com- July 05, 2018

HOME

****

Tight supply to keep cotton prices in India firm in FY19

Cotton prices in India are likely to stay firm during the next fiscal following the tight demand-supply scenario, India Ratings and Research (Ind-Ra) recently said in a report.

Supply constraints may arise from lower fibre production this season due to pests, acreage drop in the next season and adverse weather in other key cotton-growing nations, it said.

However, the expectation of firming prices may encourage farmers to sow and arrest the acreage contraction, a news agency reported citing the report. The cotton season in India starts in October.

Global cotton consumption is likely to be strong due to a robust domestic demand in India and rise in exports on account of the anticipated stock rebuilding by China, it said.

The next cotton season may see higher minimum support prices (MSPs) for cotton in India. However, cotton prices may trade higher than MSP, limiting government intervention, it added.
This is primarily because a sustained demand from the end-user segments will allow manufacturers to pass on the price rise, it said.

Synthetic textile players are, however, expected to see a material margin contraction during the next fiscal, due to their inability to pass on the price rise of crude oil-based raw materials, owing to the prevailing overcapacity domestically.

That may worsen due to rupee depreciation as raw material is procured at the import parity price.

Within the synthetic segment, exporters and integrated players will be better placed to absorb a higher input cost, while standalone spinning units might be the most impacted, the report said.

Textile dyes and chemical prices are likely to remain high, exerting margin pressure, it added.

Source: fibre2fashion.com- July 05, 2018

HOME

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India is set to overtake China in textile sector

India is poised to overtake China in the textile sector by capitalizing on factors such as cheaper labour and modernisation and Tamil Nadu will have a major role to play in it, according to the Indian Textiles Accessories and Machinery Manufacturers Association (ITAMMA).

J M Balaji, chairman of the events and publications subcommittee of the association, said that Tamil Nadu accounted for 39 % of the total textile production in the country. He was speaking to reporters here on Thursday on the eve of ITAMMA's product-cum-catalogue show.

Balaji said that the domestic textile industry was expected to reach a production level of US$ 350 billion from the current US$ 100 billion. India had the potential to export textiles and apparels worth US$300 billion by 2024-25 from its current US$ 40 billion, he said.

There were 4.13 lakh handlooms in Tamil Nadu providing employment to 6.08 lakh weavers while the 3.66 lakh powerlooms and 1,889 spinning mills provided employment to another 2.40 lakh people.

Knitwear and woven garment production units provided employment to over five lakh people. With quality and skilled labour and machinery, India could easily overcome Chinese competition in the textile industry as labour costs in China were very high compared to India.

"High-tech machines which help deliver quality goods will enable us to reach the set targets at the production level, and the roadshow will have many such machines and products on display.

Textile retailers and manufacturers can use the event platform for their machinery needs," Balaji said. N D Mhatre, director general, ITAMMA, and T P Muralidharan, convener of its Coimbatore export cell were also present.

Source: timesofindia.com- July 06, 2018

HOME

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SIMA bats for PSF for cotton

While hailing the increase in the MSP for cotton, the Southern India Mills' Association (SIMA) has emphasised the need for Price Stabilisation Fund (PSF) scheme and a Technology Mission on Cotton (TMC) in a revised format to double the income of the cotton farmers and to grow the business of the industry as well.

"Cotton productivity has stagnated at 500-550 kg per hectare against over 1,500 kg/hec achieved by over 20 countries. Australia for instance, has achieved productivity of 2,200 kg/hec.

Further the quality of Indian cotton is much inferior when compared to the imported fibre, affecting both the farmers and the industry," said P Nataraj, Chairman, SIMA, emphasising the need for reintroducing PSF and TMC schemes.

He did not deny that India has emerged as the largest producer of cotton since 2015-16, accounting for 36 per cent of world cotton acreage covering 11.80 million hectares, with close to 2.3 crore farmers involved in cotton cultivation.

Though things seemed good, consequent to the removal of cotton from Essential Commodities Act from February 2007, few cotton traders started dominating the cotton economy by covering large volumes during peak season.

The textile industry, which is predominantly MSME in nature could not compete with the multinational traders in covering cotton requirement. They therefore were forced to shell out 10 to 25 per cent higher cost for home grown cotton during off-season.

The price volatility often eroded the working capital and profit margins of the industry, restricting the industry growth rate between 6 and 8 per cent againsr the potential growth rate of 12 to 16 per cent.

Cotton PSF scheme consisting of 5 to 7 per cent interest subvention, 10 per cent margin money and nine months credit limit would enable the spinning mills and the Cotton Corporation of India to compete with multinational cotton traders and cover cotton during peak season, Nataraj said and added that this would enable farmers fetch better price, avoid MSP operations, prevent cotton hoarding and speculation. PSF would also bring more GST revenue and boost exports, the SIMA chief added.

Need for TMC

He pointed out that consequent to the roll out of TMC (between 1999 and 2002) and introduction of Bt cotton, India emerged as the largest producer of cotton.

Following the government's withdrawal of extension of TMC, farmers' suffering began with spurious seeds, lack of seed technology and technology transfer, agronomy research, quality deterioration of the fibre at ginning stage and so on.

This calls for approval of TMC II proposal, which has already been submitted by the Ministry of Textiles, Nataraj said, urging for constitution of a task force comprising of various stakeholders under Ministry of Agriculture and Textiles.

Source: thehindubusinessline.com- July 06, 2018

HOME

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U.S.-China Textile Trade War Will Benefit India, Says Arvind's Sanjay Lalbhai

Textile companies from India stand to benefit if the U.S. decides to impose import tariffs on Chinese goods, according to Sanjay Lalbhai, chairman and managing director at Arvind Ltd.

The company, currently running at full capacity, will need to explore other options including outsourcing or working with distressed assets to meet the likely demand from America, he said.

China commands a 35 percent market share in the world textile trade estimated at around $850 billion. U.S. President Donald Trump has proposed tariffs on goods imported from China, including textiles.

"The benefit could accrue right away if tariffs were to be imposed," Lalbhai said.

Source: bloombergquint.com- July 05, 2018

HOME

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