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IBTEX No. 154 of 2019 August 06, 2019

US 70.64| EUR 79.17 | GBP 85.94| JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20766	43400	**78.28**

Domestic Futures Price (Ex. Warehouse Rajkot), August

Rs./Bale	Rs./Candy	USD Cent/lb
19730	41236	**74.38**

International Futures Price

NY ICE USD Cents/lb (December 2019)	58.48
ZCE Cotton: Yuan/MT (September 2019)	12,475
ZCE Cotton: USD Cents/lb	80.38
Cotlook A Index – Physical	**70.90**

Cotton Guide: Markets have been bearish since the announcement of US China trade war last June 2018. There were also sudden uptick spurts as speculators covered their short positions. Again there were sudden spurts due to adverse Weather conditions in the US and Rain Deficiency in India. However these were all exogenous factors which had a short life. The main culprit for this bearish trend was lagging Demand that had arisen due to the US China Trade tensions. Optimism was seen before the trade talks and twice the amount of pessimism was seen after the trade talks which have eventually brought markets to a three year low of 57.26 cents/lb.

We have been mostly bearish in the past 6 months citing reasons for short lived bullish spikes. The last one year has seen many lower peaks and lower troughs. The cotton marketing year 2018-2019 can be easily dedicated to the bears.

Speaking about the prices for the coming week, based on the supply and the crop conditions, the market is showing bearish sentiments by the cotton growing and trading fraternity along with Hedging fraternity. On the other hand the Cotton Speculators who are net short can drive the market north therefore covering short positions. Thus, the market can be back to its equilibrium levels of 63 cents/lb which was seen in the last couple of months. We also need to note that World Cotton trade is not sustainable at such low levels of 57 cents/lb.

With USDINR back to its 70's, the importing mills in India will think twice whether to import or not. Also, Shankar 6 is actually available at prices of 41,500 Rs/Candy. Brazilian Cotton is however, still cheaper as compared to Indian cotton. Mills now have to choose whether which cotton they should purchase, whether Domestic Indian or Brazilian Cotton. However, this only applies to mills that have some cash available with them, if any. Indian mills are not in a good shape at the moment, with yarn stocks piling up. On the other hand Yuan has also breached the '7' mark which is an 11 year low. According to a recent Bloomberg report China has asked its Traders not to purchase any farm goods from the US which has aided the prices to touch new lows.

ZCE settled lower at -260 yuan/tonne for the September month. The MCX contracts also saw negative change figures in the range of -280 and -400 Rs. The MCX August contract settled at 19730 Rs/Bale with a change of -380 Rs, whereas the new Marketing year MCX October contract settled at 19,360 Rs/bale with a change of -290 Rs. For MCX the market will follow ICE. If ICE retraces back, MCX will follow. If ICE doesn't retrace back MCX will continue with the downfall due to Demand concerns and Better Acreage reports in India.

The Cotlook Index A has been adjusted lower at 70.90 cents/b with a change of -2.50 cents/lb.

On the technical front, ICE Cotton futures continued its weakness after breaching the strong support at 60.00. The strength index (RSI) in the daily charts is hovering in the oversold zone suggesting weakness in trend. However, this oversold nature may limit further downside in prices. Meanwhile the recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00, which may provide an immediate support for price to rebound towards the near term resistance zone at 60. On the other side only close below the immediate support at 58.00 would weaken further towards 57.20 followed by 56.46. When it comes to the DEMA 5 (at 60), may limit higher side in cotton Dec futures in near term. So for the day price is expected to remain in the range of 58.00-60.00 with sideways bias. In the domestic market MCX Aug future is expected to trade in the range of 19530-19950 with sideways 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

USA: First-Half Apparel Imports Reveal Winners and Losers as Trade War Rages On

With the threat of 10 percent to 25 percent tariffs on apparel imports from China looming over the industry, the damage already seems to be done.

Fresh data released Friday by the Commerce Department's Office of Textiles & Apparel (OTEXA) revealed that imports from China for the first half of the year rose just 0.68 percent in value to $11.31 billion, while Top 10 suppliers Vietnam, Bangladesh, India, Honduras and Pakistan posted double-digit gains in the period.

China did see its shipments to the U.S. rise 3.06 percent in volume for the first six months of 2019 to 4.97 billion square meter equivalents (SMEs), but this also pales in comparison to its decades-long rise to prominence as a top supplier for U.S. apparel imports. Much of the recent decline can be linked to the tariff-fueled trade war between the world's two largest economies under the Trump administration.

While many agree that China's trade policies demand reform, the most recent threat from the White House of a 10 percent tariff on Chinese goods entering the country that for the first time would include apparel was met by criticism from importers but hailed by the domestic textile industry.

Hun Quach, vice president of international trade at the Retail Industry Leaders Association, said, "The list of products these tariffs will hit are almost entirely consumer-oriented. This new 10 percent tariff on Chinese imports is a direct hit on consumer products and family budgets, plain and simple."

On the other side of the issue, Kim Glas, president and CEO of the National Council of Textile Organizations (NCTO), said, "China's rampant abuse of intellectual property rights and IP theft has gone on far too long at the direct expense of the U.S. textile industry and its supply chain, resulting in the loss of U.S. manufacturing jobs in this critical sector. We have long encouraged the administration to include finished products on the tariff list.

“We believe this move will lead to more re-shoring of production to the United States and the Western Hemisphere production platform—and will also address and mitigate China’s rampant trade distortions,” Glas added,

While there has been an uptick in U.S. textile and apparel manufacturing, the biggest beneficiaries of the trade war seem to be other producers.

Apparel imports from Vietnam increased 11.74 percent in the year though June to $6.36 billion, while Bangladesh shipments rose 14.49 percent to $3.08 billion, India’s were up 10.43 percent, imports from Honduras rose 11.7 percent to $1.32 billion and shipments from Pakistan gained 11.03 percent to $707 million worth of goods.

There were some losers in the first half that saw apparel imports from the world rise 5.91 percent to $40.05 billion, including Mexico, with imports to the U.S. falling 3.49 percent to a value of $1.66 billion, and El Salvador, with shipments of 0.24 percent to $888 million.

Rounding out the Top 10, apparel imports from Indonesia were up 2.35 percent to $2.28 billion, and shipments from Cambodia rose 8.3 percent to $1.21 billion.

Source: sourcingjournal.com- Aug 05, 2019

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China's garment industry reports rising H1 sales

China's garment industry saw its sales grow steadily in the first half of the year despite slower expansion of the sector.

Retail sales of garment enterprises each with an annual operating revenue of 20 million yuan rose 2.7 percent year on year to reach 475 billion yuan (about 68.5 billion U.S. dollars) in H1, according to the Ministry of Industry and Information Technology (MIIT).

These enterprises saw their output shrink 1.1 percent to a total of 10.4 billion pieces in the first half of the year, according to the ministry.

During the same period, online retail sales of apparels went up 21.4 percent from a year ago, while exports of clothing and accessories edged down 4.7 percent year on year to 66.6 billion U.S. dollars, MIIT data showed.

In H1, such garment enterprises reported combined operating revenues of 761.6 billion yuan, up 2.2 percent year on year, while the profits of these companies dropped 0.8 percent to 38.2 billion yuan during the period.

Source: xinhuanet.com- Aug 03, 2019

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UAE sees $12.3b in apparel sales

Menswear accounts for most apparel sales, according to Dubai Chamber report

The value of apparel sales in the UAE reached $12.3 billion (Dh45.1 billion) in 2018, marking an annual growth rate of around 4.8 per cent, according to a report by the Dubai Chamber of Commerce.

The report is based on recent data from Euromonitor International, which described the apparel market as a key segment in the UAE's retail sector.

It said that menswear is the top performing category within apparel, accounting for $6.2 billion in sales last year (53 per cent of the market value).

It was followed by women's wear (34 per cent) and children's apparel (7 per cent).

"The outlook for UAE apparel sales is expected to improve over the next five years as economic conditions become more favourable, while consumer confidence strengthen," the Dubai Chamber said.

It also pointed that while online retail sales are seeing strong growth, brick-and-mortar retail sales are still dominant. Many well-established brands are exploring omni-channel retailing, though, either through third parties, their own digital stores, or both.

"This trend is expected to put pressure on prices as the industry becomes more competitive with traditional retailers expected to offer more deals to capitalise on consumer demand," the Chamber said.

Source: gulfnews.com- Aug 05, 2019

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China cotton prices hit 10-year low on Sino-U.S. trade tensions

Chinese cotton prices closed limit down at their lowest in more than 10 years on Monday, pressured by weak U.S. prices for the fibre and escalating trade tensions.

The most active cotton contract on the Zhengzhou Commodity Exchange, for September delivery, fell the maximum 4% to end on 12,225 yuan ($1,738.95) a tonne, its lowest since March 20, 2009.

The contract, which has been festering at decade-lows in recent weeks, has lost 18.5% so far this year and is down almost 40% from over 20,000 yuan a tonne in May 2018.

Traders cited high cotton stocks in China and plunging U.S. prices for the decline, as well as signs the trade war between the world's top two economies is unlikely to end any time soon.

China is a major exporter of cotton-based textiles to the United States and there are fears Washington will levy extra duties on Chinese textile products in fresh tariffs on around $300 billion of goods.

ICE cotton futures in New York were down as much as 4.2% on Monday to 56.49 cents a pound, the lowest since March 2016.

Source: in.reuters.com- Aug 05, 2019

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Trade War Means an Opportunity for India to Make it Big in Fashion

The U.S. apparel market is the largest single apparel market in the world, rivaled only by the combined EU market.

In 2018, U.S. apparel imports were $86 billion (FOB value), growing at a staggering 9.8 percent compound annual growth rate (CAGR) since 2010. A breakdown of U.S. apparel imports shows the top eight countries have a combined market share of 74.2 percent, headed by China. Vietnam and Bangladesh have already been drawing the attention of many apparel brands looking for alternatives to China, as have other more non-traditional ready-to-wear apparel countries, like India.

Sourcing Country	Apparel exports to the US (US bn), 2018	Share in US import market
China	28.828	33.2%
Vietnam	12.600	14.5%
Bangladesh	5.429	6.3%
Indonesia	4.676	5.4%
India	4.025	4.6%
Mexico	3.520	4.1%
Honduras	2.730	3.1%
Cambodia	2.524	2.9%
Rest of World (ROW)	22.395	25.8%

Source: UScom trade

The growing trade war between the world's two largest economies, the U.S. and China, is creating ripples across all sectors, including apparel and textiles. Since early 2018, the U.S. has imposed multiple tranches of trade tariffs on lists of goods imported from China, with the most recent tranche spreading to cover textile and apparel goods.

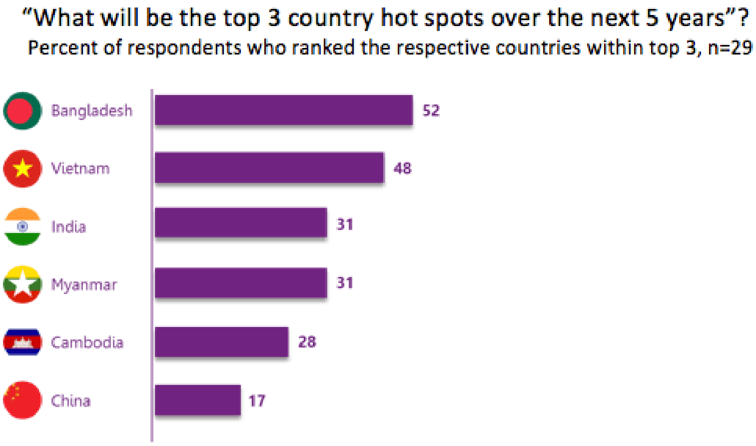
Stage	Punitive Tariff rate	Effective	Current state	Products covered (US bn)	Impact on textile and apparel
Tranche 1	25%	Jul-18	Active	34	No textile and apparel products covered
Tranche 2	25%	Aug-18	Active	16	No textile and apparel products covered
Tranche 3	10%	Sep-18	Active	200	Around US 3.7 bn textile products covered
Tranche 4	Up to 25%	-	Proposed	300	Around US 36.0 bn textile, apparel and home textile products covered

Source: https://www.just-style.com/analysis/us-china-tariff-war-the-textile-and-apparel-hit-list

According to a recent study using GTAP data (Global Trade Analysis project, Purdue university), between $3 billion to $8.8 billion worth of apparel exports could potentially be sourced from three key countries: Bangladesh, Vietnam and India.

This view on country locations is supported by apparel executives indicating that Bangladesh, Vietnam and India will be the top three sourcing destinations for the coming five years.

Exhibit 1: Top 3 sourcing destinations among CPOs



Source: McKinsey & Co.

Moving out of China requires a plan

The apparel sourcing paradigm is known for its ongoing shift to low wage countries, making products until a cheaper option becomes available, then moving sourcing to the new location. In the 1990s, Sri Lanka, Taiwan and Korea were hot spots, with the 2000s seeing a further move to China, Bangladesh and starting in South East Asia. The 2010's have seen a growth across the Asian subcontinent, South East Asia and the start of manufacturing in Africa. For the current shift, it is important to understand what apparel manufacturers are looking for before moving production out of China.

Exhibit 3: Comparison of apparel value chain

Value chain Category		Units				
Raw Material Availability	Cotton	'000 (170kg) bales	125	4	29500	27000
	Man-Made Fiber (MMF)	'000 tons	206	470	5213	39337
Yarn	Ring Spindles	Millions	6	6	50	120
	Rotors	'000	230	103	814	2400
Weaving	Shuttle Less Looms	'000	17	3	135	620
	Shuttle Looms	'000	14	17	2370	650
Apparel units	Labor cost	USD/Month	90	182	120	730
	Efficiency	%	39	40	48	57

Source: Weave Analysis

A recent survey conducted by Weave amongst leading apparel brands and sourcing offices based in Hong Kong, indicates that access to raw materials and lead times are the biggest concerns for moving volume out of China.

Looking toward opportunity in India

Analysis of the apparel value chain indicates that India has abundant availability of raw materials, robust textile processing capacity (yarn to fabric) and comparable labor costs.

Indicators	Bangladesh	Vietnam	India	China
Power cost (USD/KWH)	0.09-0.12	0.08-0.01	0.1-0.12	0.15-0.16
Logistics (USD/Container)	1,281	610	1,332	823
Lending Rate	12-14%	6-7%	11-12%	5-6%

Source: Wazir Advisors

India has a significant edge over other sourcing countries, especially Bangladesh and Vietnam, in terms of raw material availability. India is the largest producer of cotton and second largest producer of Man Made Fibers. Indian apparel producers source raw materials domestically, leading to significant opportunities to reduce lead time, which is a competitive advantage for China. Outside of China, India has the largest yarn spinning and textile weaving capacity among apparel exporting nations.

India loses ground on labor cost competitiveness to low cost countries, despite a high labor efficiency, due to the way in which low price FOB is the key factor in winning large volume, low value-add export orders.

With the escalation of the U.S.-China trade war, nations importing raw materials (yarn, filament and fabric) from China have high risk of exposure to future rounds of U.S. taxes as the ‘yarn forward rule of origin’ would be applicable under current tax definitions.

If this occurs, manufacturers in Vietnam and Bangladesh could experience increases in raw material costs, which could offset their advantage in supplying low cost labor.

In addition, after the U.S. withdrawal from TPP in 2017, countries like Vietnam lost the advantage of having 0 percent import tax to U.S. market. This can further reduce its attractiveness as all sourcing countries are at level playing field in terms of import duties.

India requires internal reflection if it wants to grow

In spite of the fact that India has advantages in cotton and labor supplies, its share of the global clothing export market was a meagre 4 percent in 2016, compared with China's 36.4 percent, Bangladesh's 6.4 percent and Vietnam's 5.5 percent. India's ability to attract more apparel export orders can be attributed to three key reasons: poor infrastructure, high lending rates and archaic tax laws.

Apparel producing units in India face acute power issues (in terms of availability and price) and high logistics costs (both inland and sea). Use of secondary power sources, such as diesel generators, makes the business unviable and unsustainable on the local environment. As a result, most apparel makers adopt outsourcing and overtime to ensure on-time delivery. This practice has been seen to lead to quality issues and impacts the ability for facilities to scale up.

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Source: Wazir Advisors

Lack of cheaper institutional credit has restricted Indian factories from growing and expanding. As a result, many Indian factories remain small to mid-sized, resulting in a highly fragmented sector. To compensate for high credit, Indian government supports small and medium size producers by offering a slew of benefits ranging from tax rebates, to partial exemptions of labor laws on things like layoffs and overtime. This has kept production concentrated at small factories that lack the economies of scale and the ability to fulfill large orders, which is sought after by large brands.

Natural fibers like cotton and wool constitute only 30 percent of global fabric consumption. The key battle in apparel is played now in man-made fibers (MMF). India's share of global MMF production is only 7 percent, while China is the dominant player with 66 percent share. MMF imports to India are taxed at 15 percent to 25 percent, increasing the input costs and limiting Indian manufacturers from producing a wide range of synthetic garments. In addition, domestic MMF suppliers (who are predominately large chemical companies) sell MMF's at high prices due to limited competition and lack of regulation.

India can address these challenges

To overcome the challenges hindering apparel exports, India is required to take concrete steps in the areas of policy design, fund availability and labor reforms. The current Indian government has taken a pro-growth stance, and has initiated several reforms to support the sector.

- **Promoting FDI** – 100 percent FDI is now allowed under the "automatic route" in the textile sector; During FY10-15, FDI to the Indian textile and apparel sector grew at CAGR of 14.21 percent. In recent years, large apparel manufacturing units have received significant shares of FDI, driving overall increases in capacity of the apparel manufacturing sector.
- **Capacity building** – To address capacity and technology drawbacks, the Indian government has launched the 'Scheme for Integrated Textile Parks' to attract large players for private investment. As of 2019, 74 textile parks have been approved, with 18 currently operational and 32 under implementation. In addition, the government has recently allocated $900 million toward labor reforms. Under this proposal, the government will bear the entire 12 percent employer's contribution. Therefore, small scale apparel units will now have more incentive to hire more workers
- **Fiber neutrality** – The Indian government has assigned 18 percent GST (Goods and Service Tax) on MMF imports, a simplified tax rate compared to multi-tax scenarios on various MMF categories. India is also exploring a fiber neutral tax regime to improve the competitiveness of Indian apparel units in synthetic garment category.
- **Make in India** – India is encouraging investment under the 'Make in India' initiative. Under this initiative various elements of fiscal, tax, and investment support is provided to businesses starting

manufacturing in India across the textile value chain. As part of this initiative, India has launched a $24 billion fund – TUFS (Technology Upgradation Fund Scheme) to assist textile and apparel players toward modernization.

- **Sustainability** – The Indian labor department ministry of textile has been actively working toward improving the lives of workers in factories. The Draft Labor Code on Social Security and Welfare has been proposed by the Ministry of Labor and Employment to simplify, rationalize and consolidate the 15 existing social security legislations into a single "Code," which will be easier in terms of understanding, implementation and enforcement.

These changes are required to ensure that India has fundamentals in place to secure the drive. The success of these initiatives driven by the government will start to be reflected in the 2019 financial year exports for India after a period of stagnation and sourcing shifts.

The road to growth

India has advantages in terms of raw material and competitive labor costs compared to other potential sourcing countries. The country has not been able to showcase its inherent strength due to infrastructure issues and policy paralysis, resulting in muted export growth over the past 10 years. With China embroiled in a trade war with the U.S., many sourcing nations have an increased risk of tariff on their final product as they import most of their raw material from China. In such a situation, buyers are now exploring sourcing countries that have easy access to raw material and a competitive labor cost.

India fits this requirement, provided it can address the existing bottlenecks.

Recent policies and tax benefits are steps in the right direction. India has a unique chance to be a leading player in the future of the apparel industry, but it requires successful implementation and execution of the new policies at all levels, to reach the smaller regions of their apparel ecosystem. With the right support, Indian apparel manufacturers can break the status quo and pursue high ambitions.

Source: sourcingjournal.com- Aug 05, 2019

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Bangladesh RMG exports to US grow fastest among competitors in H1

Exporters see more growth as Trump threatens tariff on China apparel

Country's apparel exports to the US in the first half of 2019 registered highest growth among the competitor countries as US buyers shifted orders from China to Bangladesh and other countries due to the on-going US-China trade tension.

Experts and exporters said that the country's RMG export to the US might rise further in coming months following US president Donald Trump's threat issued on Thursday to impose tariffs on more China products including apparel items.

Bangladesh's earnings from readymade garment exports to the US in January-June grew by 14.49 per cent to $3.08 billion from $2.69 billion in the same period of 2018, according to data of the Office of Textiles and Apparel under the US Department of Commerce released on Friday.

Experts and exporters said that Bangladesh's RMG exports to the US had been growing as US buyers were shifting orders from China to Bangladesh and other countries even though US president Donald Trump was yet to impose tariff on China apparel products.

The buyers became worried as US and China have been in trade war for months with both countries imposing tariffs on each other's products worth over $250 billion

Although the US import of apparel from China was still high, the growth in import from the country in the first half of 2019 remained almost static at 0.68 per cent standing at $11.30 billion against $11.23 billion in the same period of last year.

Vietnam's RMG export to the US in the January-June in 2019 grew by 11.74 per cent to $6.36 billion from $5.69 billion in the same period of 2018, US data showed.

The US apparel import from India in the first half of 2019 stood $2.26 billion with 10.43 per cent growth while the import from Indonesia grew by 2.35 per cent to $2.27 billion in the period.

Apparel exports of Cambodia in January-June in 2019 grew by 8.30 per cent to $1.20 billion while the exports of Mexico to the US in period fell by 3.49 per cent to $1.60 billion, the OTEXA data showed.

Apparel exporters said that Bangladesh's exports to the US would rise further if Donald Trump went ahead with his threat to impose tariffs on more China products, including apparel items.

Trump on Thursday announced to slap a 10 per cent tariff on $300 billion of Chinese imports including apparel from next month as he became angry with the progress of US-China dialogue to reach an agreement over trade.

Bangladesh Garment Manufacturers and Exporters Association president Rubana Huq told New Age that the US tariff on more Chinese import would open up the door of opportunity for Bangladesh readymade garment sector.

'But we need to align products as per US' requirement. Otherwise countries like Vietnam will gain,' she said.

On Bangladesh RMG exporters' gains in US market, Policy Research Institute executive director Ahsan H Mansur recently told New Age that Bangladesh RMG sector was getting more orders from US buyers because of US-China trade war.

He said that to capture additional US market, Bangladesh apparel sector should improve capacity and diversification of products.

Source: newagebd.net- Aug 04, 2019

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Cotton falls to 3-1/2-year low as Sino-US trade worries escalate

ICE cotton futures slid more than 3pc on Monday to their lowest in nearly three-and-a-half years on fears that escalating trade tensions between the United States and China will worsen demand for the natural fiber.

The most-active cotton contract on ICE Futures US, the second-month December contract, fell 1.93 cent, or 3.25 pc, at 57.49 cents per lb as of 08:11 a.m. EDT (1213 GMT).

The contract touched its lowest since March 2016 at 57.26 cents a lb.

US President Donald Trump said last week that he would slap an extra 10pc tariff on $300 billion worth of Chinese imports and would raise it further if trade talks do not progress.

Cotton has fallen more than 10pc since Aug. 1 and by about 22pc so far this year owing to a long-drawn trade war between the world's top consumer of the fiber, China and one of the biggest producers, the United States.

"The price response is likely related to the escalation in the US-Chinese trade conflict as China is a major supplier of cotton textiles to the U.S," Commerzbank analysts said in a note.

"These textiles could be affected by the new US punitive tariffs and as such would no longer be in demand. Chinese cotton demand on the world market would then likely decrease accordingly."

Meanwhile, Beijing said it was honoring its pledges to purchase US agricultural products, state media cited China's state planning body as saying.

China had bought 25,000 tonnes of cotton from the United States between July 19 and Aug. 2, China's state broadcaster CCTV on Monday reported, citing an official.

Source: brecorder.com- Aug 05, 2019

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Iran Domestic Apparel Industry Operating at Half Capacity

The production volume of Iran's apparel industry is half its nominal capacity, according to Reza Taziki, an official with the Ministry of Cooperatives, Labor and Social Welfare.

"Close to 530,000 people across the country are working in the garment industry whereas, in view of Iran's 80 million population, the number should have been at least 1.5 million," he was quoted as saying by Tasnim News Agency.

"Unlike the global apparel market, classic clothes manufacturing accounts for 60% of domestic production whereas consumption of casual wear is more popular among consumers. Domestic production of clothes is not in accordance with consumption needs. Therefore, people depend on imports to meet their clothing needs."

Referring to the availability of 28 academic disciplines in textile and apparel studies in the neighboring countries, including Turkey, the official said, "There are no fashion specialists in Iran whereas Iranian universities offer only three majors with focus on apparel industry."

Source: financialtribune.com- Aug 04, 2019

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Pakistan: Cotton prices continue to drop sharply

Cotton prices continued to decline on the cotton market Monday due to less buying interest and because of rising fears over escalation in US-China trade war, dealers said.

The official spot rate dropped sharply by Rs 200 Rs 8100, they added. In ready session, about 8000 bales of cotton changed hands between Rs 7950-8200, they said. Rates of seed cotton per 40kg in Sindh were at Rs 3200-3700, in Punjab prices were at Rs 3400-3850, they said. In Balochistan, seed cotton prices were down by Rs 200 to Rs 3700-3800, they said.

In Sindh and Punjab, Binola prices per maund were at Rs 1450-1550, they said and adding that polyester fibre per kg rates were at Rs 192.

Market sources said that no respite was seen in drop of cotton prices due to persisting less buying interest among buyers.

Cotton analyst, Naseem Usman said that business was thin following the non-availability of vehicles as animal owners were busy in haulage of sacrificial animals from one place to another place. Buyers were on the sidelines due to financial problem, most of them anticipating that traders may take interest in fresh buying of cotton after Eid holidays, other brokers said.

Adds Reuters: ICE cotton futures slid more than 3% on Monday to their lowest in nearly three-and-a-half years on fears that escalating trade tensions between the United States and China will worsen demand for the natural fibre.

The most-active cotton contract on ICE Futures US, the second-month December contract, fell 1.93 cent, or 3.25 %, at 57.49 cents per lb as of 08:11 am EDT (1213 GMT).

Chinese cotton prices closed limit down at their lowest in more than 10 years on Monday, pressured by weak US prices for the fibre and escalating trade tensions. The most active cotton contract on the Zhengzhou Commodity Exchange, for September delivery, fell the maximum 4% to end on 12,225 yuan ($1,738.95) a tonne, its lowest since March 20, 2009.

The following deals reported: 1600 bales of cotton from Tando Adam at Rs 7950-8000, 1000 bales from Shahdadpur at Rs 8000, 2000 bales from Sanghar at Rs 7950-8000, 800 bales from Kotri at Rs 7950-8000, 600 bales from Hyderabad at Rs 7950-8000, 600 bales from Vehari at Rs 8100-8200, 1000 bales from Burewala at Rs 8100-8150 and 200 bales from Jhang at Rs 8150, they said.

Source: fp.brecorder.com - Aug 06, 2019

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NATIONAL NEWS

Draft norms ask e-commerce firms to maintain level playing field

The consumer affairs ministry has issued draft e-commerce guidelines for consumer protection 2019 that calls for e-commerce entities to maintain a level-playing field and prohibit influencing the price of goods and services directly or indirectly.

The draft norms mention that an e-commerce company doing business in the country shall be a registered legal entity under the laws of India.

The guidelines released on Friday state that the companies should not "adopt any trade practice which for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, or composite supply, adopt any unfair methods or unfair or deceptive practice that may influence transactional decisions of consumers in relation to products and services".

The draft norms further restrict companies from falsely representing themselves as consumers or posting reviews about goods and services in their name. The ministry has sought stakeholders' comments on the guidelines by September 16.

The department for promotion of industry and internal trade's (DPIIT) revised norms on foreign direct investment (FDI) in e-commerce that came into effect on February 1 also adopted a similar approach, barring e-commerce companies from influencing sale price of goods and services.

The commerce ministry is already drafting a separate e-commerce policy that proposes regulating cross-border data flows, setting up storage facilities locally and establishing a data authority to devise a framework for sharing data. Amazon and Walmart-backed Flipkart jointly hold a dominant share of the country's e-commerce market.

Recently, Amazon said it holds 30% share in India market. Businesses of traditional brick-and-mortar retailers have been hit by raining discounts given by online platforms and have long been stressing on the need to regulate them.

To enable consumers to make 'informed decisions', the consumer affairs ministry has proposed that e-commerce entities should display terms of contract between themselves and the sellers relating to return,refund, exchange, warranty, delivery, mode of payments and grievance redressal mechanism.

The draft norms also puts the onus on the companies to ensure advertisments for marketing of goods or services are consistent with the actual characteristics. It provides for protection of 'personally identifiable information of consumers' and outlines that the companies should ensure such data collection, storage and use comply with provisions of the Information Technology (Amendment) Act, 2008.

Source: financialexpress.com- Aug 06, 2019

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Super-rich surcharge: FM says she is ready to hear FPIs' views

Economic Affairs Secretary will hold a meeting with FPIs soon

The government appears to be softening its stand on the higher super rich surcharge on Foreign Portfolio Investors (FPIs). A hint of this came when Finance Minister Nirmala Sitharaman said that she has sought their views.

"I am quite open to hear out what they have to say," Sitharaman said here while briefing the media on her meeting with bankers on Monday. Further, she said that Economic Affairs Secretary Atanu Chakraborty would hold a meeting with FPIs soon.

This assurance has come at a time when FPIs have been net sellers in the Indian equity market after the Budget proposal raised the super-rich surcharge.

The higher incidence of taxation is likely to affect nearly 40 per cent of FPIs operating in India under a non-corporate structure and more specifically as trusts.

These investors took out more than ₹12,400 crore in July and have taken out more than ₹5,500 crore in August till date.

According to sources, various options are being considered to give FPIs relief, of which one is to issue a circular under existing law. Another option is to amend the Finance Bill, 2019, which has become an Act, and will take time. Finance Ministry officials said that a final decision would be taken after the meeting with FPIs.

On the proposed issuance of sovereign bonds, the Minister said nothing has been done beyond the announcement in the Budget on a part of the gross borrowings being from external markets, in foreign currencies.

In order to prepare a detailed action plan, Finance Minister Nirmala Sitharaman kicked off series of meetings. The first one was on Monday with public and private sector banks. This will be followed by meetings with the Micro, Small and Medium Enterprises (MSME) sector on August 6, the automobile sector on August 7, industry associations on August 8, financial market stakeholders on August 9, and real estate and home-buyers on August 11.

The government will factor in the takeaways from these consultations for appropriate policy responses to maintain a high growth trajectory and to address sector-specific issues.

“We are holding these back-to-back meetings with the various sectors. We want to show that we have heard them and we will respond to them….we want to assure that we are responsive government,” Sitharaman said adding that any response from the government can be seen as a “considered response”.

Core sector (comprising eight key industrial sectors such as cement, steel, electricity etc) growth is lowest in 50 months, sales growth of automobiles is in the negative lane for the last one year, corporate quarterly financial performance has been below expectation and stock market is down since the Budget.

Monday’s meeting on the banking sector focussed on overall credit growth to support the needs of the economy. Further, the ways in which banks can help some of the sectors that have been drivers of economic growth to deal with their current issues were discussed.

In particular, the credit needs of the NBFC, automobiles and MSME sectors were discussed. Transmission of benefits of rate cuts to borrowers and industry was also discussed. The Minister said that she would present the government's views after all the meetings.

Overall credit growth from the banking system continues to be at 12 per cent, which is marginally lower than the growth of 13.3 per cent at the end of March. At the same time, with turnaround in the NPA cycle, high provision cover of over 75 per cent and record recovery, bank balance-sheets are looking healthier than before. Banks are now, therefore, in a position to step up lending, the government felt.

RBI (its Deputy Governor was present in the meeting) informed that there is no issue on the liquidity front as durable liquidity is roughly ₹90,000 crore sufficient to take care of demand but the problem is beyond that. The Minister said that these meetings will help to identify those problems.
Home buyers

She also indicated that soon there could be good news for the home buyers in the National Capital Region (NCR). She said that after the Supreme Court's verdict (in Amrapali matter), a Group of Ministers (GoM) met with authorities such as Noida Authority and Yamuna Expressway Authority.

"We've had a meeting very extensive meeting so that home buyers in the NCR region are not going to be stuck without resolution. So, we hope we move forward in that and the work is on as regards giving some kind of a solution," she said.

About two lakh houses worth ₹1.26 lakh crore are stuck due to various reasons in the NCR.

Source: thehindubusinessline.com- Aug 06, 2019

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India should act tough and exit RCEP

Most industrial sectors, farmers rightly fear an import deluge. The Centre seems to have realised this; it needs to decide fast

India at last seems to have found its lost voice at the on-going Regional Comprehensive Economic Partnership negotiations. After months of indecisiveness, the Indian negotiating team finally went to attend the RCEP Ministerial meet in Beijing last week with a clear mandate. It was instructed to say no to any pact which did not fulfil its wish list.

With the support of the political bosses, Commerce Secretary Anup Wadhawan and his team adopted an aggressive posture and listed out India's demands individually to the partner countries of the RCEP in the bilateral meetings on the sidelines of the event. The message to each of the partners — be it the ten-member ASEAN, China, South Korea, Japan, Australia or New Zealand — seemed to be common: if you don't humour us, we may quit the game.

It is heartening that after years of gradual softening of its position, which resulted in doubling of its initial market access offer to its biggest competitor China despite protests from the domestic industry, India is now preparing to change tack.

But the more important question is whether India, will show the spine to exit the RCEP if it must. If India realises that like in the case of most free trade pacts it has signed so far, it will end up paying a much higher price compared to what it stands to gain in the RCEP, will it dare to say no?

Can it face the diplomatic pressure from its friends in the ASEAN? Anyway, it doesn't have very long to decide as the year-end deadline for implementing the pact, that was reinforced at the Beijing meeting, is looming near.

While from the looks of it, the proposed RCEP — with a third of world's GDP, almost half its population and 40 per cent of exports — seems to be too big a market for India to ignore, if one thinks lucidly enough the country may not lose out on much if it decides to keep out of the pact.

For one, the average import tariff levels in the region are just 6.8 per cent, much lower than India's 13.8 per cent (industrial and agriculture). Moreover, most of the RCEP countries, including Japan and South Korea, have very high tariffs on certain products sensitive to them, such as rice, footwear, dairy products and honey, which they can continue to shield through the sensitive lists.

Even if a country like China, which has average tariffs almost as high as India's, offers to eliminate tariffs on all its goods, it may not really result in a substantial increase in market access given the non-tariff barriers that the country specialises in imposing. Eliminating tariffs for even a modest 70 per cent of the items coming from China could totally disrupt the Indian industry, irrespective of the market access offered by China to India.

Although in the bilateral with the ASEAN, India has demanded that the 10 countries improve their offers in the services sector so that Indian professionals and workers can have easier entry into their market, it is doubtful whether much would come from it.

The very reason the ASEAN had not offered anything to India in services in the FTA they have already in place is that most of its members are very sensitive about protecting the sector and have not offered much liberalisation even within the bloc to each-other. So, in terms of enhanced market access, India would get relatively much less from its RCEP partners than it would be giving to them.

In fact, tariff elimination could worsen the trade deficit with RCEP, at $105.2 billion in 2018-19. Since import duties are also a source of revenue for India, it could experience a disproportional loss of customs revenue if it gets into the pact.

Change in stance

The fact that Commerce Minister Piyush Goyal stayed away from the Ministerial meeting and sent the Commerce Secretary to take his place was the first indication of the change in India's defensive stance adopted so far.

While the official reason for the Minister skipping the meeting was the extended Parliament session, many in the Ministry say that it was the industry consultations on RCEP that Goyal held just a few days prior to the Ministerial meet that left him confused and unsure.

The marathon sessions that Goyal had with the Indian industry pointed towards the total disaster that the pact could end up being for the country. Of the over 500 representatives that the Minister met from numerous sectors ranging from steel, engineering goods and plastics to dairy and sea-food, most were completely against dismantling of tariffs for the RCEP countries, especially China.

Almost every sector registered its apprehension that once the RCEP agreement was in place, China would wreak havoc in the domestic market with its cheap exports and would also dump its products.

The Indian industry also feared that Japan and South Korea, which were already reaping huge benefits for items like steel and electronics from the bilateral free trade agreements signed with India, would penetrate the local markets further.

A large number of farmer organisations also came together to appeal jointly to the government not to sign the RCEP as they said that it would threaten farm livelihoods, autonomy over seeds and also endanger the country's self-sufficient dairy sector. Thus, when Wadhawan left for Beijing with his team for the RCEP meeting where all countries were expected to move towards final outcomes, the instruction was to be offensive rather than defensive.

However, it is important to ensure that this offensive posture does not dissipate after the Beijing meeting. India already has had an unhappy experience with many of the RCEP members it had earlier signed FTAs with.

While there are a number of research papers that point out how the Indian industry has suffered after signing FTAs with its regional partners, one done by the NITI Aayog explicitly says that India's trade deficit with the ASEAN, Korea and Japan has widened post-FTAs.

True, the lure of being part of the largest free trade bloc in the world can indeed be very strong. But when it is difficult to find any support for a pact from the sections it is intended to serve it shouldn't be very difficult for the government to decide what to do.

Source: thehindubusinessline.com- Aug 05, 2019

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Textile accessory exhibition from August 9 to 12

To be held at Codissia trade fair complex

The Southern India Mills' Association (SIMA) will organise Texfair, an exhibition of textile machinery, accessories, and spares, here from August 9 to 12.

P. Nataraj, chairman of the Association, and Ashwin Chandran, its vice-chairman, told presspersons on Monday that the event to be held at Codissia Trade Fair Complex will have 320 stalls and 250 exhibitors. Of these, almost 40 are new exhibitors.

A "Farm to Finish Expo" will also be held as part of Texfair. It will have exhibits of cotton, cotton seed, yarn, fabric, etc.

The textile industry is going through a period of recession. This is the time when the industry usually spends on consumables.

"Whenever there is a recession, the industry will look at controlling costs, increasing productivity, and improving quality. Ancillaries will help in this. Lot of inventions in accessories and spares are expected to be displayed this year to help the industry achieve better productivity and quality," said Mr. Nataraj.

The exhibitors are from different parts of Tamil Nadu, other States, and also Japan, China, and Europe. More than a lakh visitors are expected at the four-day event.

The exhibition is expected to generate ₹1,000 crore business. The aim of the expo is to encourage inventions and support the industry with import substitutes.

Revival in investments

Tamil Nadu is a leading textile manufacturer in the country. However, since 2008 when the industry was hit with power crisis, investments have slowed down for new projects and also for modernisation. “We foresee a revival in investments soon,” added K. Selvaraju, secretary general of the Association. Texfair will be open from 10 a.m. to 6 p.m. and entry is free for all textile industry stakeholders.

Source: thehindu.com- Aug 05, 2019

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Apparel exporters in catch-22 situation over MEIS

Fear loss of revenue, employment; uncertainty continues

With apparel exports already on the decline, uncertainty over the continuation of Merchandise Exports from India Scheme (MEIS) is a double whammy for region-based exporters who are facing stiff competition from Bangladesh and Vietnam.

According to exporters, there is a sense of confusion among the exporting community as they don’t know whether the government will continue the scheme or extend it or scrap it. “We have an indication that the government will not continue the scheme, but we are yet to receive any formal notification in this regard. Once it is clear, we can devise our strategy,” said an exporter.

The Central government plans to replace MEIS with a new duty refund scheme called Rebate of State and Central Taxes and Levies (RoSCTL). A 4% incentive is given to garment exporters under the MEIS. Industry insiders said the move, if implemented, will “kill” the sector, which is the second largest employment generator after agriculture.

Pawan Garg of Worldwide Textiles Pvt Ltd said the changes might have been announced under the RoSCTL but its implementation was still awaited. “We understand that we will be given revised reimbursement under the new scheme. But, before abolishing any existing scheme, we should be given at least 4-6 months’ time. We will suffer losses as we have quoted prices after factoring in 4% incentive under the MEIS,” he said. He exports ready-made garments to the US, Brazil, Arab countries, Panama and South America.

Harish Dua, president, Knitwear and Apparel Exporters Organisation and member of the Apparel Export Promotion Council (AEPC), told The Tribune they have not received any formal notification about the RoSCTL so far though changes in the scheme were announced 2-3 months ago.

The proposal to replace the scheme has rattled the apparel sector of North, mainly concentrated in Ludhiana and the NCR region. According to industry, due to this uncertainty, over 1,600 small and big units in Gurugram alone have stopped taking and processing any international order. Many ancillary units have even asked the labour to look for alternate jobs in the next few months.

“We face stiff competition from Vietnam and Bangladesh and thus cannot think of increasing prices. Under the MEIS, we have been getting 4% incentive. However, now, we will face 8% loss on an average and we won’t be able to bear it. The loss of international market will lead to shutdown of many small cottage units resulting in labour losses,” said Praveen Yadav, president, Udyog Vihar Industrial Association.

The Garment Exporters & Manufacturers Association (GEMA) said the consideration of RoSCTL as a substitute to MEIS is unjustifiable. The two should be seen independent of each other.

“The government should launch or roll back any policy keeping in mind the future of labourers, as any loss to business will result in loss of employment,” said Kuldeep Jhangu, a labour union representative in Gurugram.

Source: tribuneindia.com- Aug 03, 2019

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For SMEs, funds and marketing are big challenges

'Need to innovate on financials, systems, manpower and invest in human resources'

Though SMEs are considered the growth engines of any economy, including India, the challenges and opportunities the sector faces are far larger than their size — from quality to compliance, manpower to funding, branding to marketing.

"But the biggest challenge for SMEs is growth," was the unanimous note that speakers struck at a panel discussion on 'Tapping into Global Trade – Challenges and Opportunities,' organised by BusinessLine in association with ICICI Bank here last week.

S Soundararajan, Managing Partner, Falcon Toolings, said emphatically that "growth is crucial for SMEs. For this, we have to find the means; the sector will need to innovate on financials, innovate on systems, quality, manpower and above all invest in human resource personnel.

"All this would be possible only if the owner motivates himself. And that could be the biggest challenge." However, to grow, the sector needs funds and for this, it depends mainly on banks, which according to Codissia President Ramamurthy, "has never been an easy proposition.

SMEs have enormous potential. But banks apply the same lending norms for both large corporates and small enterprises. This has to change in the present scheme of things. Access to funds is a serious issue. We have sought a separate MSME policy."

At this juncture, S Prakash, of See Change Consulting, intervened, pointing out that SMEs by and large managed with support from friends and family.

Suresh Mutyala, Deputy General Manager, Elite Trade Relationship Group, ICICI Bank, cited that inefficiencies in SMEs' balance-sheet made access to bank finance difficult for them. "Bank debt is not the only source of finance at present; there are other options such as venture capital funds, private equity and so on. SMEs should explore all options. A business needs to be nimble, make money by embracing technology, keep financial papers clean and think big."

Prabhu Damodharan, Convenor, Indian Texpreneurs Federation, said: “Financial management is core to any business and so is market intelligence. The enterprise will have to factor in future disruptions, infuse technology and be open to co-operative competition”.

Marketing challenges

As much as funds, marketing also was a challenge for SMEs.

Prakash did not mince words when he said that “it is a non-existent component among MSMEs. The sector is rich technically, but lacks marketing knowledge, has no clear succession plans or leadership building capability.” He felt that there were eight key areas that SMEs should focus on for sustained growth such as converting profit centres into SBUs (strategic business units), looking for low-cost funds, marketing, HR, process, products, succession plan and export value chain.

Stating that his enterprise had benefited immensely from participating in trade fairs, Soundararajan said that “giving the right product and tapping the right market is the key.”

Ramamurthy conceded that SMEs were unable to brand their products in the international market due to lack of knowledge and expertise on export procedures. While Codissia is helping SMEs tackle such issues, the ITF Convenor said that the Federation created a market intelligence platform to aid members share data, collaborate and usher a change in their mindset.

The panelists signed off stating that “systems for SMEs should evolve in a better way”.

Source: thehindubusinessline.com- Aug 05, 2019

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4 steps that can help small units go global

While going global can be a Herculean task for an SME, it is not unachievable. Even without such disruptions as demonetisation and trade barriers, the journey has never been smooth. Yet, a number of SMEs have managed to go global.

SMEs need to internalise and improve efficiencies, share knowledge without inhibition and, finally, understand the nuances of marketing, according to Srihari Balakrishnan, Managing Director, KG Denim.

“Starting from demonetisation to economic slowdown to the many trade barriers, we have witnessed disruptions, from smooth to multiple cross-flows,” he said.

“There is more confusion and knee-jerk reaction to the happenings around us. Do not react to each and every news. Remain calm,” he said.

He listed four specific tasks that he undertook to take his organisation to the next level of growth. “Internalise; look inwards,” Balakrishnan said, before pointing out how the appointment of a ‘coach’ at the spinning and weaving divisions helped improve performance and curb waste. The resultant impact was ‘fantastic’.

“Use of LinkedIn to market our brand gave us professional insights. Then, we did a complete overhaul of our marketing network before joining with our peers to create infrastructure, share knowledge. Marketing is the key,” he said adding, “nothing can beat us if we do these four things”.

Source: thehindubusinessline.com- Aug 05, 2019

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Check cotton crop for pest attack, say agriculture experts

Punjab Agricultural University (PAU) vice-chancellor, Baldev Singh Dhillon, and state agriculture department director, Sutantar Kumar Airi, also participated in the inter-state consultative and monitoring committee meeting.

Experts claimed that the yield is expected to be higher than previous season in the three states. PAU VC Dhillon and state farm director asked the department officials to look into the damage caused to the crop due to rainwater stagnation in fields. Cotton has been sown over 4 lakh hectares in Punjab.

VC Dhillon said the economic threshold level (ETL) of pests was well within limits. He asked the officials to keep vigil and send regular reports. He directed the officials to hold camps in villages and remain in touch with farmers.

Airi said officials have been asked to check damage caused to the crop due to rainfall and tell farmers about judicious use of pesticides. He said 38 teams have been formed to hold camps in Bathinda disseminating information about the same.

Source: timesofindia.com- Aug 05, 2019

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How technology is weaving a better future for Pathamadai mat makers

An electronic loom is helping makers of this iconic mat earn more while raising productivity

It is a standard item of the bridal trousseau at Tamil weddings, with the names of the bride and the groom inscribed on it. Indeed, the fine, handmade Pathamadai mat, which is made of Korai grass, is a symbol of pride for Tamil Nadu. It has even been granted Geographical Indication (GI) status by the trademarks and GI authorities.

And yet, this century-old traditional craft has been fading due to outdated handicraft methods and the next generation's lack of interest.

The good news is that technology is helping revive this craft by simplifying the weaving, thanks to the efforts of a number of individuals and organisations, including IITMadras and the Tamil Nadu Handicrafts Development Corporation (TNHDC).

Stagnating craft

The mats derive the name from Pathamadai in Tirunelveli district. The 20,000-plus population in the Panchayat, predominantly women from the Muslim Lebbai community, normally produce about 500 of the A file photo of mats on display at a shop in Chennai

mats, priced between ₹2,500 and 2,750, in a month.

However, the mat makers have been facing a series of challenges, particularly because of primitive processes, which kept their output stagnant and returns low, and discouraged the younger members of the community from taking up the craft.

“The trigger to revive the craft began when a 90-yearold weaver from Pathamadai met me, pleading to help the industry,” says Santosh Babu, former CMD, TNHDC, and IT Secretary of the State. He roped in Rural Technology Action Group (RuTAG), IIT Madras, to transform the craft. TNHDC also sanctioned ₹47 lakh for the project.

RuTAG developed a software-driven 192-hook Electronic Jacquard Handloom (EJH), which uses electricity to select hooks according to the design fed into the jacquard (a jacquard is an apparatus fitted

to a loom to facilitate weaving). The software package developed along with the loom enables the loading of any animal or floral theme from the Internet and customised designs such as portraits, names, or motifs after conversion to a woven textile design format.

Traditional looms require women to be seated on the floor with legs placed at an inclined position to facilitate basic weaving operations. “The new EJH provides comfortable seating, making it ergonomically superior,” says Abhijit P Deshpande, Professor In Charge, RuTAG, IIT Madras.

“Through EJH, productivity has increased up to 300 per cent. The time required to weave a full mat has been reduced to 10-12 hours from 3036 hours,” says Deshpande.

“Mat weaving has become simple and our income has risen,” said Syed Ali Fathima, a weaver.

Source: thehindubusinessline.com- Aug 06, 2019

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