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

IBTEX No. 215 of 2019 November 06, 2019

US 70.90 | EUR 78.50 | GBP 91.30| JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19617	41000	**73.68**

Domestic Futures Price (Ex. Warehouse Rajkot), November

Rs./Bale	Rs./Candy	USD Cent/lb
19410	40567	**72.90**

International Futures Price

NY ICE USD Cents/lb (December 2019)	63.81
ZCE Cotton: Yuan/MT (January 2020)	13,045
ZCE Cotton: USD Cents/lb	84.41
Cotlook A Index – Physical	**74.70**

Cotton Guide: Geopolitical pessimism [as cotton does not seem to have a mention in the phase 1 of the US China trade agreement] is dragging the market downwards. The prices are heading sideways. The bears are trying their best to take the prices down. In the Last 18 months Cotton prices have been ruled by geopolitical situations rather than the conventional Fundamental and Technical conditions. Uncertainty and unpredictability have ruled the market.

For now, with the current global situation, we are of the view that this month, Prices for ICE Might head down towards the 61 cent per pound level first and then a bull run will follow that can push the prices toward 70 cent per pound. We are expecting China to purchase good amounts of cotton as the Chinese State reserves are at an 8 year low [according to the latest USDA report]. Therefore there is a high probability of China replenishing their stocks thus strengthening the bulls.

The ICE December contract settled at 63.81 cents per pound with a change of +15 points. The ICE March 2020 contract settled at 65.47 cents per pound with a change of +20 points, whereas the ICE May 2020 contract settled at 66.49 with a change of -3 points. While looking at the daily charts, the charts also have been showing indications which are positive or negative but sideways.

The MCX contracts on the other hand took a downturn. The MCX November contract settled at 19,410 Rs per Bale with a change of -80 Rs. The MCX December contract settled at 19,380 Rs per Bale with a change of -60 Rs, whereas the MCX January contract settled at 19,540 Rs per Bale with a change of -130 Rs. Volumes summed up to be less at 886 lots as compared to the figures seen higher than the 1000 lot mark.

The Cotlook Index A has been updated at 74.70 cents per pound with a change of - 35 points. The Prices of North Indian Cotton is seen to be steady. While speaking about the long term prospects of Indian cotton, we can expect a slight dip in prices with upcoming arrival pressure. But we need to remember that this new crop will have average properties. As soon as the superior quality cotton comes into the market their asking rates could even go higher to 44,000 Rs per Candy, which can have adverse ramifications on Indian Exports. Currently the basis [basis is around 10] has increased with ICE Prices heading lower. In simple words, a decline in ICE Prices and Increase in Domestic Indian Cotton Prices could be detrimental for Indian Exports.

Fundamentally speaking, for the next three days, we can expect a sideways trend with choppiness at the end of this week as the Cotton World waits for the upcoming WASDE report scheduled to the released on Friday evening.

Technically speaking, in the daily chart, ICE Cotton after giving an Inverse Head & shoulder pattern breakout is trading within an upward sloping channel. However, price could test the lower end of the channel, which coincides around 50% Fibonacci extension level (62.98). Meanwhile, price is below the daily EMA (5, 9) at 64.01, 64.18 having a negative crossover, implying some sideways to negative bias. The momentum indicator RSI is at 51.62, also indicating sideways bias for the price. The immediate resistance for the price would be at 64.78-65.00, 76.4% Fibonacci extension level. Thus for the day we expect price to trade in the range of 65.00-62.90 with sideways to negative bias. In MCX Nov Cotton, we expect the price to trade within the range of 19300-19500 with a sideways to bearish 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

Will the US, China Remove Tariffs in Phase One Trade Deal? Reports Say Yes

If the U.S. and China can come to an agreement on the initial phase of a deal to dial back the trade war that has been raging between them for more than a year, American businesses may see some tariffs taken off the table.

According to reports, both sides are considering the tariff rollback to see the phase one deal progress, which could soften the multi-million dollar blow to apparel and footwear companies that have had to fork out additional funds to cover the punitive duties.

"If there's a deal, [removing] tariffs will be part of it," The Wall Street Journal reported a senior administration official as saying late Monday.

The partial agreement between the two sides is expected to include concessions on intellectual property—which has played a large part in kindling the trade war—plus an agreement on China's part to more than double its American agriculture purchases and give U.S. companies greater access to Chinese industries.

So far, however, there have been several claims of progress made in the trade negotiations, but little said beyond that. What's more, Trump and Chinese President Xi Jinping were expected to sign the phase one agreement at a summit in Chile this month, which has since been cancelled in light of national protests ravaging the country.

In remarks before Marine One's departure Sunday, President Trump maintained his brevity on the status of a deal, but made clear that the summit cancellation would not interfere with signing an agreement.

"First, I want to get the deal," he said. "And if we get the deal, the meeting place will come very easily. It'll be someplace in the U.S."

Source: sourcingjournal.com- Nov 05, 2019

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US GSP loss by Thailand credit-negative: Moody's

The office of the US Trade Representative (USTR) announced last month the United States is suspending $1.3 billion in trade preferences for Thailand under the generalised system of preferences (GSP) due to its failure to adequately provide worker rights. This loss of privileges is credit-negative amid a challenging external environment, said Moody's Investors Service.

Despite six years of engagement, Thailand has yet to take steps to provide internationally-recognised worker rights in a number of important areas identified in a 2015 petition from the American Federation of Labour and Congress of Industrial Organisations (AFL-CIO), such as providing protections for freedom of association and collective bargaining.

GSP eligibility for Thailand will be revoked effective April 25 next year for approximately one-third of Thailand's GSP trade, which totalled $4.4 billion in 2018, USTR said in a press release.

Trade preferences for 573 categories of Thai exports would be suspended, and these could face import tariffs of up to 5 per cent relative to their current duty-free status.

"The development is credit-negative because Thailand's export-oriented economy is in a difficult external environment given that a broad-based export slowdown and strong baht are weakening the competitiveness of shippers and the country's tourism industry," said Moody's in a statement.

"However, the removal of trade preferences alone is unlikely to weaken Thailand's GDP [gross domestic product] or export performance in 2020 because the GSP privileges apply to a relatively small subset of exports and recently announced stimulus measures will support domestic demand in the coming quarters as external conditions remain subdued," the credit rating agency said.

Exports account for around half of Thailand's GDP and the United States is its second largest export partner after China.

The effect of potentially higher tariffs on this subset of exports will be minor because it only accounts for 5 per cent of total Thai exports to the United States, said Moody's.

A higher import tariff of 4.5 per cent on an average would reduce exports to the United States by around $30 million, according to the Thai government's preliminary estimates, equivalent to just 0.1 per cent of total exports to the United States and 0.01 per cent of total Thai merchandise exports.

Thailand's merchandise exports contracted by 2.1 per cent year-on-year in the first nine months of 2019 after growing by 8.6 per cent in the same period in 2018.

"The contraction reflects the direct effect of trade tension between the US and China, the slowdown in the global electronics cycle given Thai exporters' integration in regional electronics supply chains, and overall weaker global growth," said Moody's.

"In addition to promptly initiating such talks, we expect the government to implement policy measures to soften any effect on exports to the US, including promoting such exports ahead of the April 2020 deadline and accessing other markets for adversely affected products," said Moody's.

Source: fibre2fashion.com- Nov 06, 2019

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China Exports Plunge After U.S. Tariffs

Shipments from China fell 25 percent in the first half of 2019, including a steep decline in textile and apparel exports.

Punitive tariffs slapped by the U.S. on Chinese imports are hurting American consumers, who are bearing the brunt of the measures in higher prices, and are also adversely affecting Chinese exporters, with shipments down by 25 percent, or $35 billion, in the first half of 2019, a U.N. report said Tuesday.

The study, which examined the impact of the $250 billion in punitive tariffs that took effect last year, also concludes China's export losses resulted in trade diversion effects in the first half estimated to be valued at $21.3 billion, including $866 million for textiles and apparel.

Overall, China's export loss in textiles and apparel shipments to the U.S. during the first half was estimated at $1.19 billion, the study said.

The biggest beneficiaries during the first six months in textiles and apparel were Bangladesh, with an estimated gain of up to $300 million; the European Union, with $66 million; the Republic of Korea, with $48 million; Mexico, $47 million; India, $41 million; Pakistan, $25 million, and Turkey, $14 million, Alessandro Nicita, an economist at the U.N. Conference on Trade and Development, and author of the study, told WWD.

The report also outlines evidence that shows the losses for Chinese exporters have “increased over time” and added that preliminary evidence (during the second quarter of 2019) indicates Chinese exporters may have started to bear part of the costs of the tariffs in the form of lower export prices at around 8 percent below comparable products.

However, the analysis, which examined hard trade data, also found that Chinese textile and apparel exports were down by an average of 24 percent, while those not targeted maintained their market share and posted an overall increase of 4 percent in the first half.

Nicita highlighted the huge differences between targeted and not targeted textile and apparel lines.

He said that exports of articles of apparel and clothing accessories or leather or composite leather – which faced a 10 percent punitive tariff in September 2018 — declined by 20 percent to $112 million during January to June, down compared to $145 million registered in the first half of 2018.

Similarly, he said, Chinese shipments of knitted and crotched fabric, valued at $105 million in first half of 2018, dropped 32 percent in the first six months of 2019 to only $71 million.

By comparison, the largest apparel export of China to the U.S. that was not subject to additional tariffs — jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted — was valued at $1.4 billion for the first half of 2019, identical to the same period in 2018, Nicita said.

Pamela Coke Hamilton UNCTAD’s director of international trade and commodities, said: “The results of the study serve as a global warning. A lose-lose trade war is not only harming the main contenders, it also compromises the stability of the global economy and future growth…we hope a potential trade agreement between the U.S. and China can de-escalate trade tensions.”

Source: wwd.com - Nov 05, 2019

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Will resolve outstanding issues raised by India for not joining RCEP: China

China said on Tuesday that it will follow the principle of "mutual understanding and accommodation" to resolve the outstanding issues raised by India for not joining the Beijing-backed mega Regional Comprehensive Economic Partnership (RCEP).

China also said it would welcome India joining the deal at an early date.

Prime Minister Narendra Modi on Monday conveyed India's decision not to join the RCEP deal at a summit meeting of the 16-nation bloc, effectively wrecking its aim to create the world's largest free trade area having half of the world's population.

"The present form of the RCEP Agreement does not fully reflect the basic spirt and the agreed guiding principles of the RCEP. It also does not address satisfactorily India's outstanding issues and concerns. In such a situation, it is not possible for India to join RCEP Agreement," Modi said.

India has been forcefully raising the issue of market access as well as protected lists of goods mainly to shield its domestic market as there have been fears that the country may be flooded with cheap Chinese agricultural and industrial products once it signs the deal.

Asked for China's comments on India not joining the RCEP deal over concern of cheap Chinese products potentially harming its domestic industry, Chinese Foreign Ministry spokesman Geng Shuang told the media here on Tuesday that China welcomes India joining the deal.

"The RCEP is open. We will follow the principle of mutual understanding and accommodation to negotiate and resolve those outstanding problems raised by India and we welcome an early joining by India," he said.

He said the RCEP is a regional trade agreement and mutually beneficial in nature.

"If it is signed and put into implementation it is conducive for the Indian goods entry into China and other participating countries. In the same vein, it will also help Chinese goods to enter the markets of India and other participating countries," he said.

"This is two-way and complementary (deal) and I should point out that China and India are both emerging major developing countries. We have a huge market of 2.7 billion people and there is a big potential in the market," he said.

Geng said, "over the past five years' Chinese imports from India have been increased by 15 per cent. We do not deliberately pursue trade surplus against India. We can expand and increase our cooperation in investment, production capacity and tourism and make a bigger pie out of cooperation for sustainable and balanced development."

Asked whether India's decision not to sign the deal would dent the RCEP deal, Geng reiterated that China is willing to work with all parties on the principle of mutual understanding and accommodation and continue to solve the outstanding issues.

"We welcome India joining at an early date," he said and referred to the joint statement issued after the RCEP summit on Monday which stated "India has significant outstanding issues, which remain unresolved. All RCEP Participating Countries will work together to resolve these outstanding issues in a mutually satisfactory way. India's final decision will depend on satisfactory resolution of these issues".

Chinese President Xi Jinping also referred to the RCEP deal in his address on Tuesday at Shanghai while inaugurating the China International Import Expo but skirted India's decision to opt out of the deal.

"I am happy to note that yesterday, 15 countries taking part in the Regional Comprehensive Economic Partnership (RCEP) concluded text-based negotiations, and I hope the agreement will be signed and enter into force at an early date. China will be happy to conclude high-standard free trade agreements with more countries, Xi said.

The RCEP negotiations were launched by ASEAN (Association of Southeast Asian Nations) leaders and six other countries during the 21st ASEAN Summit in Phnom Penh in November 2012.

"India conveyed its decision at the summit not to join the RCEP agreement. This reflects both our assessment on the current global situation as well as fairness and balance of the agreement. India had significant issues of core interests that remained unresolved," Secretary (East) in the Ministry of External Affairs, Vijay Thakur Singh, told reporters in Bangkok on Monday.

The negotiations for the proposed free-trade agreement included 10 member countries of the ASEAN and six of the bloc's dialogue partners -- China, Japan, South Korea, India, Australia and New Zealand. (Ed the above paras from PTI story of Monday).

Source: business-standard.com - Nov 06, 2019

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Indonesian Chamber of Commerce suggests import selectivity

A focus group of the Indonesian Chamber of Commerce (KADIN) has requested the government to continue the policy of protecting the local industry in light of the China-US trade conflict and the alarming increase in imports. Non-tariff barriers can effectively protect the domestic industry, said KADIN deputy chairperson for industry Johnny Darmawan.

Darmawan was speaking at the Non-Tariff Measures Group Discussion Forum last month.

KADIN’s views match the statement of the incoming minister of trade Agus Suparmanto that reducing trade deficit is one of the tasks assigned to him by the president.

Suparmanto said he will have a more selective policy towards imports as a way to improve the trade balance deficit, according to Indonesian media reports.

The focus group observed that the rapid flow of imported goods entering Indonesia has reduced the competitiveness of the domestic manufacturing industry. The problem has been exacerbated by the provision of various subsidies from the governments of the exporting countries, document manipulation by exporters, transfer of tariff posts (circumvention) and undervaluation.

The types of manufactured products that have been regulated in the import policy include steel, tyres, textiles and textile products (TPT), ceramics, electronic goods, footwear, flat glass and cosmetics. In general, the products whose imports are regulated are downstream products or finished goods or consumer goods.

A case in point is the Indonesian textile industry. Moody's rating agency predicts that China's yarn, fabric and garment products will enter Indonesia in a greater volume. Since the US applies tariffs on textile products made in China of 25 per cent, similar products from Indonesia are levied only 10-15 per cent.

Due to these tariff differences, Moody's sees an opportunity for Beijing producers to shift its textile products to Southeast Asia countries, including Indonesia. This in turn will create excess supply of textiles, and with abundant supply, prices will fall, which will create a blow to Indonesia's own manufacturing sector.

The Indonesian Textile Association (API) has shown that 9 factories already closed down due to tougher competition from imported products in the period of 2018-2019. As a result, 2,000 workers were now out of jobs. These factories have lost their ground to the rush of imported textiles and textile products from overseas.

There is a need to close loopholes that would allow general importers to import fabric raw materials. Previously, import permits were only granted to textile producers and even that was limited to raw materials such as filament yarn and fibre that in turn may not be traded.

Source: fibre2fashion.com- Nov 06, 2019

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Tough times for Bangla apparel sector: BGMEA

Fifty-nine garment factories closed and 25,900 workers lost their jobs in the last seven months, according to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Rubana Huq, who said most of these were small and medium enterprises that failed to strictly maintain compliance strictly and pay their workers under the new wage structure.

Bangladesh's apparel export has declined in recent months whereas its competitors have seen a rise in the field, she said.

In the first quarter of the current fiscal, garment export from Bangladesh dropped 1.64 per cent year-on-year to $8.05 billion when earnings from the sector fell 11.52 per cent short of the quarter's target of $9.10 billion.

On the other hand, garment shipment from Vietnam increased by 10.54 per cent between July and September. It was 2.2 per cent for India and 4.74 per cent for Pakistan. "The inflow of investment in the garment sector is also slow both in terms of new entrepreneurship and expansion as the buyers are not paying good prices," Rubana told journalists.

Buyers are now trying to cash in on the presence of an unhealthy price competition among the local garment makers and less production of value-added items in Bangladesh, Bangla media reports quoted her as saying.

"We think the sector will continue to show negative growth in the coming months. At the end of this fiscal year, we may lose our second position to Vietnam in the global apparel market, if we cannot turn around soon from this declining trend," she said.

Poor product diversification, rising online businesses, closure of retail outlets in the western world, and a 1.2 per cent fall in global apparel consumption as predicted by the World Trade Organisation (WTO) are primarily responsible for the declining trend in Bangladesh, Rubana said.

Moreover, Bangladesh is more dependent on cotton fibre whereas the demand for the garment items made from the man-made fibre is increasing worldwide. The BGMEA chief said small and medium-sized factories are getting closed due to a lack of assistance from banks.

BGMEA's analysis showed that garment export declined 17.68 per cent year-on-year to $572 million in the first quarter while prices increased only by 2.54 per cent.

On the US-China trade war, Rubana said Bangladesh is yet to benefit from the global dispute, while others are using it on the back of their diversified products. On the other hand, Bangladesh is losing its basic garment business and Vietnam, Myanmar, and Ethiopia are getting those work orders now.

BGMEA has submitted a set of proposals to the Bangladesh Bank for the revival of the garment sector, she added.

The BGMEA demanded the government devalue the local currency by Tk 2, implementation of which will cost the country nearly Tk 1,850 crore.

It also called for 1 percent incentive on exports with immediate effect, retrospective effect of 0.25 percent source tax from July, doubling the loan rescheduling period for the existing 133 sick garment factories, and fund allocation for modernisation and tech upgrade of factories.

The association will soon meet with the government high-ups to place its demands, Rubana said.

Source: fibre2fashion.com- Nov 06, 2019

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Pakistan: Cotton prices down

Cotton prices remained under correction for the second consecutive day on Tuesday as buyers mostly stayed away.

However, the availability of good quality lint attracted some buyers to book stocks to meet their immediate needs.

According to some importers, high quality cotton in world market is cheaper than local lint by Rs500 per maund. Local cotton has many issues as it is not long staple and often contaminated, they added.

The recent rains in upper Sindh have affected lint as a change in colour and deteriorating quality have been reported, brokers said.

Though prices are under correction, high quality cotton rates are still above market average, brokers added.

The slow off take of cotton yarn in domestic market also inhibited textile spinning units to build up their cotton stocks. There are reports that textile ancillary industry is facing a severe liquidity crunch.

On global front, New York cotton rose. Chinese cotton remained steady while Indian cotton closed easy.

The Karachi Cotton Association (KCA) spot rates were firm at overnight level at Rs9,400 per maund.

The following deals were reported to have changed hands on ready counter: 800 bales, Ghotki, at Rs9,650; 600 bales, Mirpur Mathelo, at Rs9,700; 2,000 bales, Khairpur, at Rs9,050-9,150; 2,600 bales, Rahim Yar Khan, at Rs9,650-9,700; 2,200 bales, Sadiqabad, at Rs9,600-9,650; 1,200 bales, Mianwali, at Rs9,400-9,450; 1,000 bales, Bahawalpur, at Rs9,300; 1,400 bales, Faqirwali, at Rs9,300; 1,000 bales, Ghazi Ghat, at Rs9,200; and 800 bales, Yazman Mandi, at Rs9,300.

Source: dawn.com- Nov 05, 2019

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Bangladesh has 6 promising sectors beyond RMG to diversify export: USAID study

The US government's development arm, USAID, conducted the study named Comprehensive Private Sector Assessment or PSA and shared that in a programme on Tuesday in Dhaka.

In 2018-19, Bangladesh earned $40.53 billion by exporting goods. But 85 percent of the earnings came from the RMG sector. The USAID study said agribusiness (food processing), health care, information and communications technology and outsourcing, light engineering, pharmaceuticals, and tourism are the sectors that hold promise beyond the RMG for private sector engagement and investment.

Visiting USAID Deputy Administrator Bonnie Glick, Executive Chairman of Bangladesh Investment Development Authority or BIDA Sirajul Islam, and US Deputy Chief of Mission in Dhaka JoAnne Wagner were present at the launch at the American Chamber of Commerce in Bangladesh or AmCham.

The embassy said the US government through the USAID conducted the study in a show of bilateral support towards strengthening Bangladesh's economy through diversification. The study examined 16 emerging sectors in total that also includes ceramics, entrepreneurship, leather and leather goods, medical equipment, plastic, renewable energy and energy efficiency, shipbuilding, shrimp and fish, telecommunications and vehicle assembly.

The assessment did not cover some traditional industries, including the energy sector as a whole. The embassy said in collaboration with Bangladesh government, they will analyse the priority sectors identified in the report to explore specific strategies for investment and increased engagement with the local private sector in these fields.

The Inspira Advocacy and Consultancy Ltd, a Bangladeshi private consultation firm, helped to conduct the study between October 2018 and July 2019.

Source: bdnews24.com- Nov 06, 2019

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NATIONAL NEWS

India has exited RCEP: Commerce Minister

But New Delhi is open to discuss its concerns; UPA blamed for initiating talks for the pact

Commerce and Industry Minister Piyush Goyal has clarified that India has taken a final decision to stay out of the Regional Comprehensive Economic Partnership (RCEP) agreement for the present, but if the 15-member bloc made sincere efforts to resolve its concerns then it could talk to them.

"As we have said the present decision (to exit RCEP) is absolutely final. But as the 15 nations have themselves said...if they make a sincere effort to resolve our concerns and give us confidence and help us to balance the trade inequality....then I think every nation should talk to their friends. We have no enmity with anyone," Goyal said addressing a question at a press conference on Tuesday on the joint statement issued by the RCEP Leaders in Bangkok stating that member countries will work together to address India's concerns.

The joint statement, endorsed by heads of states from all 16 RCEP countries, including the 10-member ASEAN, China, Japan, South Korea, Australia, New Zealand and India, also stated that, "India's final decision will depend on satisfactory resolution of these issues."

Goyal said that Prime Minister Narendra Modi had taken a tough stand at the negotiations as all India's demands were not being met by the RCEP countries. "Many of our demands had been accepted. But when we saw things in balance, we felt that we should not go for it," the Minister said.

Contentious issues

Listing out the areas where India's concerns remained, Goyal said that a big point of concern was the 'rules of origin'. "Till all countries did not have similar tariffs, till then India would need protection to ensure that goods from one country should not find its way into its market through another country by means of circumvention. India did not compromise on the matter," he said.

Similarly India stood its ground on its demand that the base rate of duty (for calculating tariff cuts) should be 2019 instead of 2014, as agreed earlier, as those rates were not relevant any more, the Minister said.

He added that India had also been firm in its demand that an adequate Auto Trigger Safeguard Mechanism be put in place to save the economy against dumping of cheap imports and import surges. The country also did not want to accept `ratchet' obligation in the investment chapter that would have prevented it from changing its existing rules.

Goyal also stressed that the decision to get into the RCEP negotiations was taken by the UPA and his government had to stay engaged as talks had already been initiated.

The 15 RCEP countries, excluding India, announced a conclusion of the negotiations for a free trade pact between them and expressed hopes that the agreement would be signed sometime next year.

Source: thehindubusinessline.com- Nov 05, 2019

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How Arvind Ltd is putting a spin on cotton cultivation and farmer fortunes

A whole new way of growing cotton

From sowing to harvest, not much has changed in the way cotton is grown in India. Even mechanisation is not widely prevalent, and the cotton seed itself has seen very few advancements. Enter Arvind Ltd. With interests ranging in textiles, garments and environmental solutions, the company has partnered with Better Cotton Initiative (BCI), a not-for-profit global organisation, since 2010.

The BCI concept has been about growing cotton with controlled application of water and use of approved fertilisers and pesticides. The company which had 10,000 acres of land under BCI cultivation engaging 4000 farmers expanded to 100,000 acres in FY 19 with 26,000 farmers under its ambit. The plan is to scale it up further to 150,000 acres for BCI by FY 20.

India's cotton story

India is the largest producer of cotton in the world. United States Department of Agriculture (USDA) pegs India's cotton production at 29 million bales in the 2019-20 season as against 26 million bales the previous year. The latest figures mean that India is all set to surpass China which has a projection of 27.75 million bales for the same season.

However, despite these impressive numbers, the productivity per hectare is starkly low. The Cotton Association of India (CAI) estimates that the per hectare productivity of cotton in India during 2018-19 stands at a mere 420.72 kgs. i.e. 2.47 bales per hectare. This means higher land usage but a lower income for farmers, in addition to practices not being conducive to increased yields.

Arvind's journey

The brand's cotton journey started in 2007 when demand for textiles made with organic cotton came by, primarily from the European market. "This is when we decided to get into cotton cultivation ourselves and thereby help farmers to grow cotton as per the global standards as well as fulfill our requirements of organic cotton," says Abhishek Bansal, Head of Sustainability at Arvind Ltd.

This continued for a few years before they embarked upon their first BCI project in India in 2011. Since then, the growth has been manifold in both organic and BCI initiatives with Arvind's sustainable cotton operations now spread across four different states of India. Ranjit, farmer and field facilitator at Raypar village, says that the primary focus has been reduction of hazardous pesticides and coming up with ways to reduce spacing between plants.

Helpful practices

Such practices have been helpful in retaining farmers. "It helps in reducing input cost and second, it increases income by increasing the amount of crops they grow. We track the balance sheet of each farmer and how much profit they make and over the years, we have seen the profitability in the farmer group rising," highlights Bansal. Since the situation in farming changes every year depending on the weather and rainfall, they compare each year's data with the conventional farmers not engaged with them on both organic and BCI practices. "We have seen a consistent 15-20% gap between the conventional farm income and the income of organic or BCI farmers engaged with us," he adds. Besides the economic benefits, the initiative boasts of a slew of social and environmental advantages as well.

Increasing consumer awareness

Increasingly, consumer awareness and the multiple health benefits offered by such farming practices has led to a spike in BCI demand from brands in last 2-3 years. Arvind alone has seen its BCI cotton demand grow two to three fold in the past 4 years.

Moreover, there is far more awareness now on how cotton is grown, its negative impacts and water usage. "There is a lot of data and research by scientists and government agencies on water usage, chemical and pesticide usage in the soil in the cotton fields.

This momentum of data knowledge which is building up is reaching the consumer level also. They strongly believe that the negative interventions of cotton farming can be minimised," says Bansal.

Organic farming

Regarding organic farming, however, the company did experience a bit of a downturn in between. "The challenge has been felt more on the organic cotton side specifically because of rapid spread of BT cotton which is genetically modified cotton while in organic, we cannot use genetically modified cotton.

We have to use the desi Indian varieties of cotton seeds. So getting hold of good cotton seeds has been a challenge because the development focus was on the BT cotton seeds' development," adds Bansal.

The last 2-3 years though have seen the focus back on the development of seeds by private agencies as well as government institutes and their organic portfolio has started looking up again.

What next?

Over the next 4-5 years, Arvind has plans to ramp up the area under cotton cultivation to 400,000 acres of BCI as well as organic farming. The company is also looking at more projects and new cotton sourcing regions in the times to come. "We engage local ngos who are already established in the region to work with farmers on BCI principles and practices and help them with technical knowhow and purchase of the cotton," says Bansal.

Ranjit is quick to jump in talking about how they keep aside 40 kilos per day of one of their village land's produce to feed the birds. "Output of that particular land only goes for birds. This is to maintain bio-diversity. By tradition, if a lot of birds come to your field, they will eat up the insects and pests that can harm crops. It is a great practice," he says.

Source: economictimes.com- Nov 05, 2019

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ICRA maintains 'negative' outlook on domestic cotton amid weak demand

India's cotton yarn export quantity fell by 35 per cent YoY during H1 FY2020.

The cotton crop outlook for the domestic cotton year ending September 2020 remains favourable.

With pressures building up on credit profiles of domestic cotton spinners as they continue to grapple with challenges on the demand front, ratings agency ICRANSE -0.55 % has maintained a 'negative' outlook on the sector.

Furthermore, the agency's note released on Tuesday adds that performance of domestic cotton spinners is likely to weaken considerably in FY2020, with operating margins for the year being estimated to correct by 300-400 bps vis-a-vis previous year.

As a result operating profitability is expected at multi-year lows, closer to the level last witnessed in FY2012 when most players suffered sizeable losses on inventory due to steep unexpected correction in cotton prices.

Commenting on this, Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, said, “The challenges this time around are multifaceted. While the export demand remains weak amid a global economic slowdown, as well as trade related uncertainties in the international markets, domestic cotton spinners have been facing additional challenges of preferred trade access available to competing nations (such as to Vietnam and Pakistan in China) and higher raw material costs.

Despite more than 10 per cent correction in the domestic cotton fibre prices since June 2019, which narrowed the premium over international cotton, domestic cotton continued to be expensive till October 2019 (2 per cent premium in October 2019, vis-a-vis 7 per cent premium in the quarter ended September 2019) affecting competitiveness of domestic spinners.

It is pertinent to note that the spread between domestic and international cotton fibre prices typically remains at around 5-7 per cent, with international cotton mostly trading at a premium.

Furthermore, as a result of the reversal in the relative price trend this year, imports of cotton fibre also surged (126 per cent YoY increase during five months of FY2020). This is despite the fact that domestic cotton fibre is currently trading below the minimum support price (MSP).”

As for the outlook, even though the cotton crop outlook for the domestic cotton year ending September 2020 remains favourable, competitiveness of the Indian spinners could be hurt if there is a significant market intervention by The Cotton Corporation of India (CCI) which triggers a relative increase in domestic fibre prices, vis-a-vis international prices. This is more so as the cotton prices are likely to remain soft globally amid a healthy crop outlook for CY2020.

India’s cotton yarn export quantity fell by 35 per cent YoY during H1 FY2020 as a result of the aforesaid factors. Whereas markets other than China, which has been the largest cotton yarn market for India in the past few years, had supported demand during FY2017 and FY2018 when exports to China fell; pressure is more broad-based now.

n comparison to a 57 per cent YoY decline in cotton yarn exports to China during 5M FY2020, exports to the other major markets have declined by over 20 per cent YoY, led by a 42 per cent and 27 per cent YoY decline in exports to Bangladesh and Pakistan respectively. Overall, based on the current trends, ICRA expects India's cotton yarn exports to decline to an eight-year low during FY2020.

Apart from this, demand trends from downstream segments of the textile value chain (fabrics, apparels and home textiles) in the domestic market also remain discouraging. While on one hand the prevailing economic slowdown and pressure on discretionary consumer spending is affecting demand for apparel and home textiles in the domestic market, on the other trend in apparel exports has also remained subdued, thereby affecting domestic consumption of yarn. Besides, increasing imports of apparels and textile made-ups continue to pose an additional challenge. During 5M FY2020, imports of fabrics, apparels and textile made-ups increased by more than 10 per cent YoY.

As the sharp fall in exports and subdued domestic demand significantly affected sales volumes of yarn, several domestic spinners resorted to production cuts during Q2 FY2020, particularly from August 2019 onwards, to cope with tough market conditions.

As a result, India's cotton yarn production volumes declined by around 5 per cent YoY during 5M FY2020, with a more than 35 per cent YoY fall in August 2019 itself. Cotton yarn realisations also started correcting from July 2019 onwards amid declining cotton fiber prices and continued demand-side pressures. Real contribution levels (in percentage terms) in Jul-Aug'19 stood at multi-year lows.

"Pressure on volumes together with shrinkage in contribution margins is expected to get reflected in a significant decline in profitability of domestic spinners in Q2 FY2020, particularly for companies that had booked sizeable quantities of cotton fibre in the previous harvest season at prices higher than the prevailing prices.

This is expected to result in moderation in debt coverage metrics of the spinning entities, with impact likely to be more pronounced for leveraged companies with sizeable repayment obligations", Roy added.

However, it ought to be noted that a large proportion of spinners have not undertaken capacity expansions in the recent years. Accordingly, impact on their debt coverage metrics and liquidity could be lower despite industry pressures.

Though some respite is likely Q3 FY2020 onwards with softening in domestic cotton fiber prices, the recovery could be gradual. The improvement would remain contingent on cotton fibre price movement, vis-a-vis international market, and demand trends in export markets, besides domestic consumption patterns.

Source: economictimes.com- Nov 05, 2019

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Cotton Corporation starts procuring at MSP

Farmers to get ₹5,450-₹5,550 a quintal

The Cotton Corporation of India (CCI) has started procuring cotton at minimum support price (MSP) in Punjab, Rajasthan, Haryana and Gujarat.

In Punjab and Haryana, the arrivals have started early this season (October 2019 to September 2020).

The CCI had always been present in all the four States in the past too. But farmers got higher market prices and were not offering the cotton to the CCI. Farmers were offering the cotton now after nearly four years in Punjab and Haryana which meant they were not getting good market prices now.

In Rajasthan, too, the CCI did not have MSP operations for the last couple of years, says P. Alli Rani, CMD, CCI. The MSP ranges between ₹5,450 and ₹5,550 per quintal and the market price in many places is lower than that, she said.

“This is just the beginning of the season and rains are continuing in several areas. Farmers are expected to bring higher volumes of cotton to the market only after the rains stop. We have purchased just 1% of the arrival, which is estimated to be approximately 12 lakh bales. We cannot say now how the prices will be as the arrivals increase,” she said.

The CCI has operations in more than 100 centres in Punjab, Haryana, Rajasthan, and Gujarat. But it is not buying at MSP at all the centres.

Last cotton season, which ended on September 30, the CCI had purchased nearly 10 lakh bales at MSP. Its total purchase was 10.7 lakh bales and had sold two lakh bales. “We have gone in for value- based pricing and the quality of the cotton stock with us is high,” she said.

Source: thehindu.com- Nov 05, 2019

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View: Exports are committee-and ministry-proof, and past surges anticipated by neither

GDP numbers are interlinked to export growth, and India needs to improve both numbers.

The future prospects of global trade are bleak. The US-China trade spat and Brexit have hit world trade and GDP growth. So, India’s GDP and export prospects are also bleak.

Indian exports have grown very little since 2013. No economy in the world has had GDP growth of 7% for a long period — the definition of a miracle economy — without double-digit export growth.

Hence, the recent fall in India’s GDP growth — just 5% in the April-June quarter — may become the new normal unless exports rise dramatically.

The commerce ministry appointed a high-level advisory group (HLAG) to accelerate exports. Will its recent report do the job? Alas, no.

There can be no more emphatic a rejection of HLAG’s attempt to accelerate exports than GoI’s decision to stay out of the Regional Comprehensive Economic Partnership (RCEP) on Tuesday.

In the words of economist Ajit Ranade, India wants to Look East, Act East, but not Embrace East.

Exports've Their Own Map

Truth is, India's exports are committeeproof. And ministry-proof. The most dramatic export surges in the past were unanticipated by committees or ministries. Finance Commission chairman NK Singh once said that India succeededin software because there was no ministry for software. By that logic maybe we should abolish the commerce ministry.

The ministry has no control over dozens of factors that make exports competitive. India needs to be competitive in input costs like land, labour, capital, electricity, tax and freight rates; in infrastructure & procedures; in education, skills and research and development. All these issues lie outside the commerce ministry's remit.

HLAG shows that Indian exports are highly correlated with global exports. In 2003-11, India's exports of goods surged 19.9% and services 21.8% a year.

Then, in 2012-17, export growth in goods slumped to –0.2% and in services to 4.8% a year. World trade likewise expanded by 10.5% in the boom of 2003-11 and crashed to just 1.6% a year in 2012-17. This should not necessarily kill Indian exports. India's share of world trade is tiny. So, it should be possible to increase this even in a stagnant global market, as Vietnam and Bangladesh are doing. But not India.

The future prospects of global trade are bleak. The US-China trade spat and Brexit have hit world trade and GDP growth. So, India's GDP and export prospects are also bleak.

Apart from global growth momentum, what worked in 2002-11 and didn't in 2012-17? Some economists say India's real effective exchange rate (REER) was kept unchanged earlier, but appreciated in 2012-17, hitting export competitiveness.

HLAG uses data from the Bank of International Settlements to argue that the REER actually remained stable and did not appreciated in either period. This contradicts RBI data suggesting the rupee appreciated since 2004-05 by 25.25% using a six-currency basket and by 15.5% using a 36-currency basket.

One major measure suggested by HLAG is to create 'elephant bonds' to attract foreign resources into infrastructure development. The absence of a strong bond market has seriously impacted long-term funding of infrastructure.

HLAG suggests a one-time amnesty for declaring hidden foreign assets and income, with the income/assets taxed at just 15% and 40% of such money being invested in 5% government-guaranteed bonds with 20 years maturity. It hopes this will revolutionise the bond market, spurring finance for long-gestation projects.

No More Low-Hanging Fruits

I am sceptical of 'one time' amnesties that in practice are used repeatedly, encouraging tax evasion rather than reducing it. Besides, the Supreme Court has nixed future amnesties. HLAG's suggestions for bypassing the court's ban are unconvincing.

HLAG lists six major issues. First, the Indian mindset is still protectionist and inward-looking and must change. Agreed, but how? Second, HLAG says India's exchange rate was stable both in the trade boom and subsequent slump, so this issue is irrelevant to exports. Third, India's real interest rates are much too high. RBI is cutting interest rates, but not fast enough.

Fourth, HLAG says Indian corporate tax rates are too high. This problem has been solved by the recent slash in corporate tax rates. Fifth, labour laws are too tough. Very true, but sermons for decades on this issue have yielded few political converts.

Sixth, the recent raising of import duties is unfortunate and must be reversed. Any import tariffs to nurture a fledgling industry must have sunset clauses. Here, too, sermons have failed to move.

In the 2000s, India created three world-class exporters: software/business process outsourcing (BPO), pharma and auto. None of these was foreseen as a champion in the 1990s. Software became significant only with the Y2K scare of 2000. The pharma sector fought the Uruguay Round that created the World Trade Organisation (WTO), saying tough WTO patent protection would wipe out Indian firms. In fact, WTO proved a boon.

The Indian auto industry was totally uncompetitive in the 1990s. But, then, foreign investors interacted with the auto component industry to make small cars and two-wheelers world class. Thus, unanticipated effects of liberalisation created these export champions in the 2000s.

Not a single new champion has been created in the 2010s. HLAG has no explanation. I believe the rotten educational system can produce only a thin veneer of world-class graduates. This sufficed to create three champions in the 2000s, but is unable to create more in today's difficult conditions.

Everybody including HLAG agrees on improving education, skills and R&D. So, too, on making India competitive in all other inputs mentioned earlier. What's missing is any political sense of urgency. That clouds the export horizon.

Source: economictimes.com- Nov 06, 2019

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Govt may change new base year for GDP to 2017-18; decision likely soon

MoSPI secretary said that earlier when new series with 2011-12 base year was being worked out, the ministry thought of revising it to 2009-10.

The Ministry of Statistics and Programme Implementation will decide on a new base year for the GDP series in a few months, a senior official said on Tuesday.

The ministry is working to bring in a new series of national accounts which would result in change in the existing base year of 2011-12.

Though the ministry is considering 2017-18 as the new base year, no decision has been taken as the committees of experts are awaiting some more data before finalising their opinion.

"The decision to change the base year (of GDP) would be taken in next few months. We are waiting for Annual Survey of Industries and the Consumer Expenditure Survey. All the preparatory work is getting ready for that.

"Once the result is out, we will place it before the respective committees (to decide about the base year)," MOSPI Secretary Pravin Srivastava told reporters at a FICCI conference adding that the decision has to be taken considering global and national scenario as well.

He also said that earlier when new series with 2011-12 base year was being worked out, the ministry thought of revising it to 2009-10.

But then the economists decided that 2009-10 was not a good year globally and domestically and finalised 2011-12 as the base year for new series of GDP.

On whether the economy will see recovery he said, it is too early to comment on it because lot of inputs for tabulation depend upon the IIP (index of industrial production), CPI and WPI data, which would come in the first fortnight of November.

The economic growth slowed to over six-year low of 5 per cent in April-June this fiscal. The government has been taking steps to boost investment and perk up the sagging economy.

Regarding experts' views that industrial production for September will see a decline after core sector output contracted 5.2 per cent during the month, Srivastava said, "We do not speculate data. We wait for data to come because the data will tell us."

When asked about the need for new GDP base year, he said the change in base year actually captures the change in structures of the economy.

Source: business-standard.com- Nov 05, 2019

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Asean may soon conclude review of FTA with India

New Delhi: The Association of South East Asian Nations (Asean) may soon conclude FTA (free-trade agreement) review with India. The aim is to balance China in the Indo-Pacific.

The Big Picture

India's trade deficit with Asean, Korea and Japan has widened post-FTAs. Overall, it can be concluded that India's quality of trade has not improved under AIFTA (ASEAN-India FTA): NITI Aayog

A number of ASEAN leaders, including Japanese and Australian PM, on Monday acknowledged India's rationale for staying out of RCEP but hoped that India would remain engaged as part of its Indo-Pacific vision

PMs of Japan and Australia will be in India in what will be back-to-back visits in December and January, respectively

The grouping will work with India for early conclusion of the review of Asean-India FTA to keep momentum in the partnership, a senior Asean diplomat told ET.

PM Narendra Modi, while addressing 10 Asean leaders, on Sunday welcomed the decision to have a relook at the free-trade agreement between India and the 10-member grouping. Last month, India and Asean initiated a review of the free-trade agreement in goods to make it "user-friendly, simple and trade facilitative".

After India's decision to stay out of RCEP, some Asean nations, including Thailand, are keen for early conclusion of the FTA review.

In 2003, India and Asean signed a Framework Agreement on Comprehensive Economic Cooperation to establish an Asean-India Regional Trade and Investment Area, which would provide a basis for subsequent FTAs covering goods, services and investment. The Asean-India Trade in Goods Agreement (AITIGA) was signed in 2009 and it is this that both sides have agreed to review.

Modi said he welcomed "the decision to re-examine the India-Asean FTA. "This will make our economic links stronger and will make our trade more balanced," he said.

Bilateral trade between the two sides increased to $80.8 billion in 2018 from $73.6 billion in 2017.

India has its concerns, given that its FTA with Asean is stacking up trade deficits with several Asean partners.

Source: economictimes.com- Nov 06, 2019

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India exploring trade agreements with USA & E U; FTAs with Japan, Korea & ASEAN being reviewed;No trade agreements in a hurry says Piyush Goyal

Union Minister of Commerce and Industry & Railways Piyush Goyal assured that India will never finalize any trade agreement in a hurry. During trade negotiations the focus will be on India first said the Minister while addressing a press conference, on the decision taken by India on the Regional Comprehensive Economic Partnership (RCEP), in New Delhi today.

He said that India's economic interests and national priorities come first and theconcerns of the farmers, dairy sector, MSMEs and domestic manufacturing will be addressed and these sectors will be protected. Commerce and Industry Minister informed that throughout the seven year long negotiations in RCEP India has consistently stood its ground to uphold its demands particularly over controlling trade deficit, stronger protection against unfair imports and better market opportunities for Indian goods and services.The opening up of the Indian market must be matched by openings in areas where our businesses can benefit and India will not allow its market to become a dumping ground for goods from other countries said the Minister.

Commerce and Industry Minister further informed thatthe Free Trade Agreements (FTAs) with Japan, South Korea and ASEAN countries are being reviewed. The review of the FTA with South Korea,which began 3 years back,is being fast tracked. He further informed that India has already secured agreement in ASEAN for a review of the FTA and a Joint Working Group (JWG) is discussing the issues to be addressed in Japan FTA.

Replying to questions Commerce and Industry Minister informed that at present India is exploring trade agreements with the USA and European Union, where Indian industry and services will be competitive and benefit from access to large developed markets.

Source: pib.gov.in- Nov 05, 2019

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'Weaves' fair in Erode from Nov 27

The second edition of 'Weaves', South India's premier textile fair will be held between November 27 and 30 at Texvalley, the largest wholesale textile market in Erode district. In a press statement, the Confederation of Indian Industry (CII) said that the annual event focuses on promoting the Power Loom/Handloom Industries.

The four day expo, which is jointly organised by CII and Texvalley will feature over 250-plus exhibitors from across Tamil Nadu spanning processing andfinishing, ethnic wear andknit fabric, handlooms,khadi, home textiles, textile accessories and machinery. Over 5,000 weavers are expected to participate in the event.

Source: thehindubusinessline.com- Nov 05, 2019

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Tech tailor: How AR, VR will impact the fashion industry

Like all other industries, the fashion industry relies heavily on Artificial Intelligence (AI) to upgrade its services. The sector is on the verge of merging with the technological revolution.

This initiative will not only enhance the consumer experience but also redefine the standards of the industry. One of the notable aspects of this progression is that it can restructure the production, marketing, and customer services.

The high demand for clothes in the global market has adversely impacted the environment. The textile segment utilises excessive water and electricity for their production. The dyes and chemicals used for the dresses cause pollution and disrupt the natural ecosystem. Companies and research institutions are continually working on various techniques to minimise the damage.

This has also led to the invention of efficient machinery that would lower resource consumption and deliver quality products. This equipment is AI-enhanced and can improve the production process. There is a constant analysis of technologies like Augmented Reality (AR), Virtual Reality (VR), Animation, Social Shopping, Machine Learning, etc.

Leading companies across the globe have undertaken the responsibility to identify an ideal solution for this issue. They have developed a JITGM (Just in time garments manufacturing) process, which is also copyrighted with the government that can address these concerns. This technique has been thoroughly analysed and experimented in production, distribution, and sales.

This innovation is based on the Augmented Reality concept. Consumers can use this technology to analyse the different elements such as fabric, colour, prints, style, via AR images. The application will provide different variants of the finished products. The final order will be placed based on their approval and selection.

The companies can print, cut, sew and dispatch the garment within 48 hours and make the delivery to the consumers. This is expected to the next most prominent change in the textile industry. This will reduce the wastage of the resources and also provide a unique product to the consumers. Just in time technology would be a feasible option for all stakeholders.

The future of the apparel industry is expected to attain the perfect infusion of online and offline stores. The current gap between them will be bridged with the assistance of technological advancements. Changes will be implemented to reduce production costs and pollution.

Various steps would be taken to improve the efficiency of the process and deliver a quality and economical product to the consumers. The online to offline model will be influential in uplifting the fashion segment to the next level.

Source: financialexpress.com- Nov 06, 2019

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