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IBTEX No. 29 of 2019 February 07, 2019

USD 71.56| EUR 81.30 | GBP 92.55 | JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20191	42200	**75.01**

Domestic Futures Price (Ex. Warehouse Rajkot), February

Rs./Bale	Rs./Candy	USD Cent/lb
20720	43305	**76.98**

International Futures Price

NY ICE USD Cents/lb (March 2019)	73.66
ZCE Cotton: Yuan/MT (May 2019)	15,250
ZCE Cotton: USD Cents/lb	102.56
Cotlook A Index – Physical	**82.65**

Cotton Guide: A couple of days with declining settlement figures and then a couple of days with rising settlement figures.

The Market seems to be so indecisive. We either see major changes in the market post 6 pm IST when the US Market opens (to be precise between 6 pm and 9 pm).

Day before yesterday the climb took place at 9 pm whereas yesterday the prices escalated at around 8 pm.

This shows the importance and impact of the western world on the Commodity Markets. Today as well we don't expect any major changes to occur in the cotton markets. We still presume that the market will be range bound until it crosses 75.

The ICE March futures settled at 73.66 cents/lb with a positive change of +26. The most active contract traded on positive levels during the remainder of the day and settled between the high and low range of 101 basis points. The High figure for ICE March was 74.11 whereas the low figure was 73.10 cents/lb. The ICE May and the ICE July contract settled at 74.86 and 76.22 cents/lb with changes of +17 and +18 points respectively.

The MCX contracts also were up on higher grounds. The MCX February contract settled with escalated figures of +170 Rs at 20720 Rs/Bale. The MCX March contract settled high at 20,990 Rs/Bale whereas the MCX April contract settled at 21,290 Rs/Bale. The gains that both the contracts fetched were Rs 160 and Rs 150 respectively. The volume for the most active MCX February contract showed a big change of +1113 lots thus ending the day at 2496 lots. The Open interest for the February contract was seen to decline (-527) and thus end the day at 10104 lots.

The arrival figures are increasing gradually. Farmers now seem to be in a hurry to offload their stock. The arrival figures have been estimated to be 171,000 lint equivalent bales (170 kg) (source cotlook) including 54,000 registered in Maharashtra, 44,000 in Gujarat and 26,000 in Andhra Pradesh. The prices of Shankar 6 are seen to have declined to around 42,200 Rs/Candy. The Cotlook Index A was further readjusted to 82.65 cents/lb by a positive change of 0.40.

ICE cotton futures witnessed recovery in yesterday's trade after previous week's decline. Meanwhile price almost retraced 38.2% of the range (81.85-70.65) during last week and erased its gains as weakness in strength persists in the market. The RSI continued to trade below 50 suggesting momentum is still lagging for price to move above the 21 day EMA. In the near term strong supports exists around 71.90, followed by 70.60, 70.00 levels. Likewise crucial resistance seen around 74.60, 75.18, followed by 76.50 levels. For the day price is expected to consolidate in the range of 72.60-73.90 range. In the domestic markets trading range for Feb futures contract will be 20550-20850 Rs/Bale

Currency Guide

Indian rupee may trade with a weaker bias against the US dollar. Rupee has come off recent lows but remains pressurized ahead of RBI decision today. RBI is largely expected to keep interest rate unchanged at 6.5%. However, the central bank is expected to change its monetary policy stance from calibrated tightening to neutral. Lower inflationary pressure, subdued growth and Fed's patient rate hike stance has fuelled expectations of a shift in RBI's stance.

If RBI changes its stance it will fuel expectations of a possible rate cut later this year which give equity markets a boost but will be negative for the currency. While market awaits RBI decision, rupee is pressurized by general strength in US dollar and gains in crude oil price. The US dollar has gained against European currencies amid disappointing European economic data and concerns about Brexit.

Australian dollar has also weakened post dovish tilt of central bank. Brent crude has witnessed mixed trade in last few sessions but has managed to hold near $62 per barrel levels amid OPEC's production cuts and supply issues relating to Venezuela. Rupee has been struggling for direction in last few sessions which could become clear post RBI decision today. We expect the currency to remain under pressure amid general upbeat outlook for crude oil as well as increasing fiscal deficit concerns amid governments plan to give sops to major sectors. USDINR may trade in a range of 71.2-71.9 and bias may be on the upside.

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INTERNATIONAL NEWS

China Trade Problems Demand Efforts Outside WTO, Report Says

The U.S. is taking a more aggressive approach to ensure that China, not the U.S., bears the costs of its non-market economic system, according to a report from the Office of the U.S. Trade Representative. At the same time, the U.S. will encourage China to make fundamental structural changes to its approach to the economy and trade.

USTR’s annual report on China’s compliance with its World Trade Organization accession commitments concludes that in recent years China has moved further away from open, market-oriented policies and instead has more fully embraced a state-led, mercantilist approach to the economy and trade.

Unfulfilled bilateral and multilateral commitments in this area include refraining from forcible technology transfer from U.S. companies; opening the electronic payment services market; and reviewing applications of agricultural biotechnology products in a timely, ongoing, and science-based manner.

China has also continued to use export and import substitution subsidies in sectors such as automobiles, textiles, advanced materials, medical products, and agriculture despite explicit prohibitions in WTO rules, and it has repeatedly deployed illegal export restraints (quotas, licensing, duties, etc.) on raw material inputs to provide cost advantages to downstream producers in China at the expense of foreign producers.

However, the report states, current WTO rules and mechanisms are limited in their ability to address these challenges, and recent proposals for WTO reform “seem only marginally focused on the China problem.”

As a result, strategies for “fixing the unique and very serious problems posed by China and its trade regime” must initially include “actions not currently set out in the WTO agreements.”

The report anticipates that such strategies will continue to be required until the U.S. and other WTO members “are able to successfully persuade China to make the needed fundamental changes to its trade regime.”

The U.S. will seek to do so by utilizing all available tools, the report states, including domestic trade remedies (e.g., the Section 301 additional tariffs), bilateral negotiations, WTO litigation, and strategic engagement with like-minded trading partners.

Source: strtrade.com- Feb 07, 2019

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The State of The Trade War: Tariffs and What Comes Next

The impending March 1 deadline for a trade deal with China is fast approaching, but so far the talks between the U.S. and its current trade nemesis have been slow-going.

Agreeing to hold off on any new tariffs for a 90-day period to allow for less-strained talks, the U.S. and China are supposed to find some common ground on things like the trade deficit—President Trump wants China to buy more Made in USA products—and issues surrounding forced technology transfer and intellectual property.

If the talks come up with no deal, 10 percent tariffs on $200 billion worth of U.S.-bound Chinese goods could become 25 percent tariffs. The fear, according to United States Fashion Industry Association (USFIA) president Julia K. Hughes, who spoke on the topic at a Sourcing at Magic seminar Tuesday, is that a failure to agree on a deal could see Trump could opt to put tariffs on all remaining imports from China, drawing apparel, textiles and footwear into the fray, though they’ve so far been largely spared.

Already, things like patent leather, leather handbags, leather apparel, wool yarn and cotton are subject to the tariffs, and the industry has suffered the consequences of the higher costs. With tariffs spreading further across the sector, hitting each thing the U.S. brings in from China, ramifications could range from reduced sales at retail to a wholesale redraw of the sourcing map as companies look to lessen the blow.

“Nothing has triggered the amount of phone calls from customers like the 301 tariffs,” Jim Schwartz, president and CEO of MGF Sourcing said during the seminar. MGF Sourcing, headquartered in Columbus, Ohio, is one of the largest global supply chain service organizations, providing product to companies like J.Crew, Chico’s FAS and Abercrombie & Fitch.

“The benefits of trade for our economy are huge—and the real people who are being punished by the tariffs are the end consumers.” Price increases for brands, retailers and manufacturers as a result of the tariffs, Schwartz explained, will lead to higher prices and fewer choices for consumers.

Schwartz said he’s seen an “array of responses” to the tariff increases, but the biggest response has been “let’s move,” as in, out of China.

“But this is not so easy, because we have a much more intricate, sophisticated supply chain” than in the days of quotas, Schwartz said.

Addressing trade and tariffs at Tuesday’s State of the Union address, Trump said “now our Treasury is receiving billions of dollars a month” thanks to the tariffs imposed on China and that he doesn’t blame China for “taking advantage of us,” rather, U.S. leaders are to blame.

“We are now working on a new trade deal with China,” Trump said without a nod to how the talks are going or how much progress has been made. “But it must include real, structural change to end unfair trade practices, reduce our chronic trade deficit, and protect American jobs.”

The president also called on Congress to pass the United States reciprocal trade act, “so that if another country places an unfair tariff on an American product, we can charge them the exact same tariff on the same product that they sell to us.”

But Trump’s position on tariffs and trade with China isn’t resonating with those in the apparel industry who recognize what the real impacts are and will likely continue to be.

“The President began the State of the Union pointing to America’s unlimited potential,” said American Apparel & Footwear Association (AAFA) president and CEO Rick Helfenbein in a statement after the address.

"The continued touting of tariffs and their impact on the American economy is somewhat misleading and potentially destructive. The end may never justify the means."

Continuing, he said, "The tariffs on $250 billion worth of U.S. imports from China are adding dollars to the government's coffers–however this money is not being paid by China, but rather is paid by hardworking American families."

It's not a tactic AAFA supports for negotiations on trade, nor is the Reciprocal Tariff Act something the organization is getting behind since, according to Helfenbein, it "would not protect American jobs but instead increase costs for Americans at the register."

Source: sourcingjournal.com- Feb 06, 2019

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China's Slide as US Apparel Supplier Continues as Overall Imports Drop in November

The move to diversify away from China as a supplier of apparel to the U.S. continued in November, with Asian neighbors gaining ground, according to belated year-to-date data released Wednesday by the U.S. Commerce Department's Office of Textiles & Apparel (OTEXA).

The report, delayed nearly a month due to the federal government shutdown, showed U.S. companies imported $25.44 billion worth of apparel from China in the January to November period, representing a 0.91 percent increase over the same period a year earlier.

The trend is likely to continue at least until a final resolution in the trade war between the U.S. and China, with a March 1 deadline looming to avoid a threatened 25 percent tariffs on goods expected to include apparel and footwear.

During the same time, apparel shipments from Vietnam—the No. 2 supplier to theU.S.—rose 5.83 percent to $11.37 billion, while Cambodia posted the largest increase, gaining 12.37 percent to $2.24 billion, OTEXA reported.

Others on the rise were Bangladesh, with a 6 percent hike to $5.01 billion in goods imported, while Pakistan shipped 5.93 percent more to reach $1.26 billion, and India's shipments rose 2.8 percent to $3.57 billion.

Among the Top 10 suppliers in the Western Hemisphere, imports from Honduras were up 1.83 percent to $2.34 billion, while Mexico's shipments fell 5.33 percent to $3.13 billion and imports from El Salvador dipped 0.64 percent to $1.75 billion.

The trade impasse between the U.S. and China had an impact on overall apparel imports in November.

As companies rushed to get goods into the U.S. ahead of what was originally a Dec. 1 threat of new tariff impositions from the Trump administration, shipments had surged in September and October.

In November, imports of apparel were down 2.7 percent to 2.02 million square meter equivalents (SME) compared to the same month a year earlier.

This included declines from every major supplier except China, which ticked up 0.1 percent, OTEXA data showed.

For the year to date, apparel imports were up 2.2 percent to 25.75 SME, and increased 2.9 percent in value to $76.83 billion.

The U.S. trade deficit decreased in November 2018 to $49.3 billion from a revised $55.7 billion in October, according to the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.

he goods deficit fell $6.7 billion in November to $71.6 billion.

Source: sourcingjournal.com- Feb 06, 2019

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USA: J.C. Penney to Focus More on Higher Margin Apparel and Soft Home Goods

In the first major move for J.C. Penney & Co.'s newly installed chief executive officer Jill Soltau, the retailer will exit the major appliances category and shift gears to focus on soft textiles such as apparel and home furnishings.

The retailer on Wednesday confirmed the repositioning of its home department in a company blog. The blog said J.C. Penney is finalizing new layout options, including the "reduction of store space previously dedicated to appliance and furniture showrooms to maximize efficiencies.

It also wants to create and "enhanced shopping experience that inspires repeat shopping trips."

Apparently, the management team feels apparel is the answer to get consumers to return to the store on a regular basis. One other reason cited in the blog notes the key difference between soft textiles such as apparel and the big, bulky infrequently purchased items that comprise of the major appliance category: "Optimizing the allocation of store space will enable us to prioritize and focus on the company's legacy strengths in apparel and soft home furnishings, which represent higher margin opportunities."

The major appliance category will remain in the stores and online through Feb. 28, while the furniture category will still be available online and at select stores in Puerto Rico. The retailer re-entered the major appliance category three years ago under then CEO Marvin Ellison. It was a category he knew well from his days at Home Depot. He left J.C. Penney nearly a year ago to join Lowe's and try to effect a turnaround there. Solltau was named CEO in October.

J.C. Penney used to be the place where middle-income consumers went to for apparel and soft home goods, but the retailer under Ron Johnson's leadership from 2011 to 2013 left consumers alienated in an ill-conceived attempt at rebranding the company and store base. Instead of first testing a concept site, Johnson moved quickly to revamp the retail model by throwing out many of the private label brands that the J.C. Penney customer relied on. They showed their displeasure by going elsewhere to do their shopping. That he did so wasn't exactly a surprise–Johnson had very limited experience with fashion apparel, and almost no experience in the middle market channel.

Interim CEO Myron “Mike” Ullman III brought back some of those brand in his effort to right the ship, such as St. John’s Bay and Arizona Jeans in apparel and JCPenney Home and Cooks kitchenware and small appliances, to attract the retailer’s loyal customer to return.

Ellison thought bringing back major appliances would help, but the category isn’t exactly high margin, and once consumers make a major purchase, they won’t need to make another replacement purchase for at least another five years.

Even if Sears closes more stores or ends up liquidating, which would benefit retailers that sell the major appliance category, the lack of high margins suggests apparel could be the right focus for Soltau.

Ellison did add women’s plus sizes and men’s big and tall to its fashion offerings, but the retailer can still do more to spruce up its fashion content. Exclusive private label brands in apparel for women’s, men’s and children’s were always a staple at J.C. Penney. And the retailer needs to do something to change the course of its fortunes.

Last month, J.C. Penney said its comparable-store sales for the nine-week holiday selling season ended Jan. 5 fell 3.5 percent on a shifted basis, but comps were down 5.4 percent on an unshifted basis.

The 2018 holiday selling season was slightly longer than usual. And while the company, at the time, emphasized that it expects to generate free cash flow in fiscal 2018, as well as end the fiscal year with liquidity in excess of $2 billion, it has been having some issues getting consumers back into the stores.

J.C. Penney also said last month that it will close three stores this spring, but that an ongoing evaluation of its store portfolio could result in additional store closures.

Source: sourcingjournal.com- Feb 06, 2019

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Ocean Freight Rates Seen Rising in 2019 as Carriers Pass Along Fuel Costs

Importers and exporters can expect to pay higher ocean freight rates this year, as carriers pass along increased fuel costs, according to experts at maritime and shipping industry research and consulting firm Drewry.

During a webinar on the outlook for freight rates in 2019, Simon Heaney, senior manager for container research, said, “Expect volatile and most likely 30 percent higher bunker charges” by the end of the year, especially as the sector gets ready for 2020 mandated low-sulfur fuel to enter the price equation.

Heaney said carriers have already started and will continue to impose higher fuel surcharges to pass along the increased costs to shippers. However, with contract rates set only marginally higher and “better carrier discipline” in fleet management, Heaney sees global freight rates rising by about 6 percent this year after having risen an average of 2.5 percent in 2018.

Historically, carriers have only been able to recover half of their fuel costs when substantial increases occur. “We do believe this time they will do better than that because they have started the dialogue early,” Heaney said.

Rates were pushed higher between August and the end of November, according to Drewry, with Transpacific shipments surging in the lull period of the tariff wars and a Jan. 1 deadline for the potential imposition of 25 percent duties on Chinese imports—which was later extended to March 1.

Martin Dixon, head of research products at Drewry, said, “Supply and demand fundamentals look brighter. Bunker prices have risen early this year, but we don’t see the sharp increases like occurred last year repeating themselves.”

Continuing, he said the “big wild card is the U.S.-China trade war that did alter trade flows.” If the current round of talks lead to additional tariffs, it will certainly impact freight rates.

“Because of the uncertainty of the tariff dispute, Drewry advises engaging in freight contracts over spot markers,” Dixon said.

A decline in transpacific freight rates drove down the composite World Container Index (WCI), assessed by Drewry, for the week ended Jan. 31. Container freight rates for eight major routes to and from the U.S., Europe and Asia fell 2.6 percent to $1,719.61 per 40-foot container or equivalent unit for the week.

However, the index was still up 11.7 percent compared with same period in 2018.

Last year, Heaney noted, was a “backward step in bringing supply in line with demand” for fleet capacity, but the “reverse is expected in 2019” as carriers defer putting new ships on the water and increase demolition of old ships.

“Another important driver of freight rates is competition in the market,” he said, noting that the top 10 carriers now control more than 80 percent of the market compared to 55 percent in 2005.

As a result of consolidation, Heaney said “the market has benefitted from higher rates and less price volatility.”

Even as ocean carriers are “moving toward oligopoly,” Heaney said, “competition still exists in most routes. With the market still fiercely competitive in most lanes, the carriers are still involved in predatory pricing.”

Heaney sees consolidation trends continuing, even with some pushback from regulatory authorities.

Asked about the impact of the Chinese New Year period of factory closings and interrupted freight flows, Dixon said rates usually decline about 1.5 percent on routes emanating from China, and that it normally takes close to 20 weeks for the market to reset itself.

Source: sourcingjournal.com- Feb 06, 2019

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Ethiopia misses textile export targets

As per report by Ethiopian Ministry of Trade & Industry (MTI) and the Industrial Parks Corporation (IPC), Ethiopia continues to miss export targets for textiles due to a shortage of raw materials – including cotton – hampering output.

Ethiopia's export performance was $135 million less than the previous year for the same period.

The export target for the past six months was U$1.21bn – well below the US$1.96 billion target set.

The IPC presented a performance audit report for the period 2015-18. According to the evaluation in 2015-16, exports of products originating at the Bole Lemi industrial park – a significant garment hub on which the government had pinned high hopes – was about $16.9 million.

The original plan was to export products worth $130 million from the park, which offers an indication of the extent to which targets are being missed.

Similarly, for the fiscal year of 2016-17 export from the Bole Lemi Park was expected to be $40 million while actual export was $23.8 million.

For 2016-17 exports from Hawassa Industrial Park – another major textile hub was $1.4 million against a planned performance of $50 million.

Ethiopia has pinned huge hopes on its textile and apparel export sectors and created a number of major industrial parks to attract inward investors.

However, the rate of progress so far is far slower than had been anticipated.

Source: fashionatingworld.com- Feb 06, 2019

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Bangladesh: Exports rise 7.92pc

Exports fetched $3.68 billion in January, up 7.92 percent year-on-year, on the back of robust growth of garment shipments.

With January proceeds, export earnings in the first seven months of the fiscal year come to $24.18 billion, up 13.41 percent from a year earlier and comfortably past the periodic target of $22.41 billion.

The jump in receipts come despite four major export earning sectors -- leather and leather products, jute and jute goods, home textiles and shrimps -- logging in lower shipments, according to data from the Export Promotion Bureau.

Earnings from leather and leather products, the second biggest export earner after the garment, dropped 11.71 percent year-on-year to $626 million between the months of July last year and January this year.

Export of jute and jute goods, which account for part of the livelihood of tens of thousands of growers, tumbled 24.66 percent to $498 million during the period.

The sector hit a rough patch earlier this fiscal year in the face of waning demand for economic slowdown in Turkey, one of its biggest market, and anti-dumping duty slapped by India.

Export of shrimp, which is grown in the southwest and southeast costal region by more than 8 lakh farmers, also continued to suffer for ample production of vannamei shrimp in other countries, particularly in India.

Processors bagged $257 million in the July-January period, which is 12.37 percent lower than a year earlier. Home textiles exports declined 0.79 percent to $494.09 million.

And yet, a 14.51 percent spike in shipment of garment products helped the overall earning scenario to remain positive. The apparel sector, which typically accounts for more than 80 percent of total export earnings, logged in $20.21 billion in export receipts in the first seven months of the year.

Agricultural products extended additional support to the growth in export earnings. Export of agricultural products such as dry food, vegetables and spices rose 61 percent to $579 million in the seven months to January.

In addition, export earnings from petroleum bi-products, pharmaceuticals, plastic products, paper and paper products, cotton and cotton product, specialised textiles, footwear other than leather and engineering products increased in the first seven months of fiscal 2018-19.

Source: thedailystar.net- Feb 07, 2019

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The East African Community (EAC) reaffirms plan to develop East Africa's textile and leather sectors

The East African Community (EAC) has reaffirmed plans to develop a strong textiles and leather sector in East Africa. The announcement was made at the 20th Ordinary Summit of the EAC Heads of State in Arusha. This shows the determination of the member states to offer citizens competitive options in regional textiles and footwear in the face of neoliberal globalisation.

Tanzania's government also plans to boost its cotton exports to $150 million by 2020, up from the current $30 million, according to the country's Deputy Minister of Agriculture, Ms Mary Mwanjelwa.

Meanwhile, Rwanda has already launched a multi-agency task force to embark on a training programme targeting local factories and small and medium enterprises in leather processing. The country's government wants manufacturers to adopt cleaner production technologies.

"Nothing should hold us back from achieving our regional goals in trade and other sectors of development," explained New EAC Summit, Chair and Rwandan President, Paul Kagame. He was speaking at the Arusha International Conference Center in Tanzania. Kagame recently took over as Chair of the Summit from President Yoweri Museveni of Uganda.

The Summit received a report of its Council of Ministers covering the period from 23rd February 2018 to 31st January 2019 and commended the council for the progress made in the implementation of the programmes and projects of the community. Among other things, the Summit directed the Council to review relevant policies and harmonise the framework for the importation of goods into the EAC within three months with a view to supporting the growth of local industries.

Also speaking at the event, outgoing EAC Summit Chair, Museveni stated that business within the East African Community will grow with a reduction in the cost of power, transport, labour and interest rates. He also expressed confidence in the EAC's ability to drive its agenda. Leaders at the event concluded that if managed properly, their ambitious policies will soon take root and improve the livelihoods of millions of people across East Africa.

Prior to this time, the EAC members states had agreed on a phase-out plan and eventual ban on the importation of used clothes and leather products by 2018 to support industrialisation and job-creation in the region. Textile industry players in the region were challenged to start making garments that require low-level technology and skills. Regional sector players and governments were called to put in place programmes that will help stimulate a localised value chain.

Emphasis was laid on the region's cotton industry, which was said to be facing huge challenges including low yields, low ginning out-turn ratio and inefficient value addition which was affecting its competitiveness.

When the EAC resolved to prioritise the development of a competitive domestic textile and leather sector to provide affordable clothes and leather products in the region, this was a positive step towards determining its own development path. However, the laissez-faire economic liberalism has impeded the inward-oriented structure which hoped to offer domestic protection and privileges.

Cotton production, processing and trade were said to be highly influenced by policies of major producing countries through price support, tariff protection, production subsidies and stockpiling that destabilise cotton prices. As the result of liberalisation, policy shifted towards export-led growth in textile and garment which has not developed the sector; instead, Tanzania's cotton leaves the country unprocessed and second-hand clothing, as well as cheap and illegal imports, have flooded the country.

The development of the industry under those trade dispensations failed to significantly develop full value chain production in Tanzania from cotton through spinning, weaving, knitting, design and finished goods production processes.

Kenya has the largest garment sector amongst the EAC countries and produces predominantly for the US. EAC countries including Tanzania lack a sufficient domestic garment production base to meet domestic needs with local or regional production.

Certainly, this move aimed at developing the textile and garment industry indicates EAC's desire to articulate and implement an African approach for the best utilisation of African resources within the region, with a greater focus on domestic consumption.

Producing affordable clothes and leather products in the region for local consumption could assist in the reduction of poverty, stabilise employment and improve the social wellbeing and the dignity of East African communities. It could also acknowledge and include informal sector traders in regional value chain developments.

Source: venturesafrica.com - Feb 06, 2019

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Turkmenistan boosts cotton harvest plan in 2020

Cotton production should be increased to 1.250 million tons next year in Turkmenistan, Trend reports with reference to the country's Agriculture Ministry.

This year, 550,000 hectares are allocated for cotton in the country, and a total of 1.050 million tons of raw material is planned to be harvested. It is planned to sow cotton seeds taking into account the soil and climatic conditions of the regions.

Government procurement prices for cotton were increased in Turkmenistan in 2019. The state will buy one ton of fine-fiber cotton varieties from citizens for 2,000 manats, medium-fiber varieties at 1,500 manats.

For comparison, the previous prices were 1,650 and 1,144 manats respectively. Generally, cotton growing is one of the strategic agricultural branches of Turkmenistan.

Currently, cotton-growing occupies an important place in the formation of the country's gross domestic product, the raw material supply of industrial sectors, creates a positive climate for the optimal solution of economic and social problems.

Exporting cotton not in the form of raw materials, but in the form of the final finished consumer product can increase the profitability of the industry 18-fold. This is intended to contribute to the large-scale construction in the cotton producing etraps of our country of numerous cotton spinning, textile and sewing industries.

The current industry production facilities allow for the establishment and effective implementation of deep industrial processing of more than half of the cotton produced in the country. Production figures for the industry show the annual growth achieved in the industry.

If we talk about the prospects for the development of cotton growing in the country, The Mejlis (parliament) of the fifth convocation of Turkmenistan adopted the law “On cotton growing,” the Turkmen government said.

The draft law defines the legal, economic, and organizational basis for cotton production in Turkmenistan and regulates relations connected with the turnover of raw cotton and cotton products.

The adoption of this law will give a new impetus to the development of both cotton and a number of related industries.

Source: azernews.az- Feb 06, 2019

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Brexit may hit Cambodia hard

Cambodia could be the biggest sufferer among developing economies as a result of Brexit. Cambodia's garment industry is a major supplier to the UK fashion industry and it has favorable entry terms.

But with the UK being one of the top three economies in the EU and a huge consumer market for fashion, tariff-free access to its roughly 60 million people will be cut off at least temporarily in the event of a no-deal Brexit.

Cambodia has the biggest trade with the UK of all the 49 least-developed countries that can export to the EU without any tariffs and 7.7 per cent of its exports go to Britain. So the UK has to reach some kind of agreement with the 49 countries as not doing so could seriously disrupt its own economy.

However, it's unlikely any agreement will be reached fast enough to completely remove the chance of damaging disruption either to the UK or to the millions of workers in Cambodia's garment sector.

The European Union accounts for 40 per cent of all Cambodian exports. These exports have risen sharply in recent years, increasing by 227 per cent between 2011 and 2016.

The EU is Cambodia's main export destination. Of Cambodia's garment exports, 46 per cent goes to Europe, 24 per cent to the United States, 16 per cent to Japan and nine per cent to Canada.

Source: fashionatingworld.com- Feb 06, 2019

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Pakistan: Textile industry: Official concerned over likely increase in tax

The government on one side has announced an economic relief package for export-oriented industries but on the other hand, it is planning to raise the cost of doing business.

All Pakistan Textile Mills Association (Aptma) Chairman Rizwan Ashraf lamented the government was planning to raise the tax rate on use of underground water by textile industry, which was utilised as a raw material. Quoting figures, he revealed that the textile industry had a 6% share in the country's GDP and a 58% share in total exports.

He underlined that the sector was paying water bills regularly.

"Every textile industry pays Rs13,000 per cusec of water monthly," he informed. "A small industrial unit consumes two to three cusecs of water monthly while the big ones utilise roughly 20 cusecs."

Source: tribune.com.pk- Feb 06, 2019

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Pakistan: Listless trading on cotton market

The cotton market turned listless as buying enthusiasm witnessed during the last session exhausted, leaving the market dull and dreary on Wednesday.

The slowdown in global economy is having a heavy toll over cotton trade which is performing much below its normal trading volume.

The improved offtake witnessed in yarn market a few days ago also reverted and once again became sluggish.

The ginners are currently facing the most difficult situation as reports show that around 1.5 million bales are lying unsold with them.

On the other hand, spinners are also complaining of huge unsold inventory of cotton yarn owing to slow offtake from domestic and world market.

However, market reports suggest that leading textile spinners are now focused on importing cotton.

The world leading markets gave a mixed trend with New York cotton recovering part of recent losses and Indian cotton closing easy. Chinese cotton remained closed owing to holidays.

The Karachi Cotton Association spot rates continue to be static at Rs8,700 per maund.

According to market reports, no transactions were reported on ready counter because buyers and sellers were conspicuous by their absence.

Source: dawn.com- Feb 07, 2019

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Bangladesh textile and apparel industry: Challenges and expectations of 2019

Bangladesh textile and apparel industry has passed another year with many accomplishments and the industry already welcomed 2019 wholeheartedly. Stakeholders of textile and apparel industry want to see in the New Year the continuation of the business-and investment-friendly environment as the $32 billion industry can overcome all challenges to step towards a sustainable future that will help to accomplish its target.

Now the moment, the prime challenge for the sector is the execution of the new wage structure for the garment workers that came into effect in December 2018 and the workers received enhanced wages from January of the New Year.

When owners are anxious how they will cope with the new wage structure as production cost has been amplified a lot, the workers started demonstration against the wage structure and unrest sustained for almost two weeks that generates colossal loss of production, and some of the factories were ruined by strikers, several workers were exterminated, and many were incapacitated and arrested.

Yes, there were legitimate demands of the workers those were addressed by the owners and the government. Nevertheless, what actually the major output of such turbulence except ruining Bangladesh's apparel industry's image to the global arena that ultimately is not fruitful for the workers or owners.

Besides wage hike, infrastructure problem, energy, and land crisis, high bank interest rate etc. are also prevailing as major challenges for the sector. Due to these complications, instead of having the prodigious potential for investments to the sectors, national and foreign investors are not expressing adequate keenness to invest here. Business leaders urged to improve ease of doing business in the New Year. Now Bangladesh is one of the bottommost performers on ease of doing business, it is 176 out of 190 countries.

Nonetheless, many surprises are also imminent so far for the industry, an industry leader conveyed recently to the Textile Today a very good update, "Bangladesh is going to be a sourcing hub for China as one of the biggest Chinese companies that have 3800 stores worldwide started sourcing from Bangladesh."

Bangladeshi manufacturers are going for high value-added items that will increase work orders. Depending on basic items it is not possible to compete with our rival countries.

On the other hand, Primary Textile Sector and backward linkage industry are getting robust growth that is largely aiding the apparel industry to remain competitive in the global market.

However, deprived of long-term government policy supports and efforts to ease of doing business numerous potential developments may not come factual. These are also needed to assist entrepreneurs to design their investments in order to accomplish the 2021 target of the government.

Consequently, if the government takes indispensable measures to safeguard good governance, eliminate corruption and recover the ease of doing business it will bring the textile and apparel industry to an advanced phase.

Source: textiletoday.com.bd- Feb 06, 2019

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NATIONAL NEWS

Exporters want Centre to refund State levies to stay competitive

With direct export sops under WTO scrutiny, Centre may look at expanding scope of RoSL

With India's eligibility to extend direct sops to exporters coming under the World Trade Organisation (WTO) scanner, the government is examining the industry's suggestion of expanding the scope and coverage of the Rebate of State Levies (RoSL), a scheme which does not flout global trade rules as it involves refund of taxes and levies paid by exporters, and is not a subsidy.

"At the consultations between exporters and the government, exporters made a case for extension of RoSL scheme to more sectors as the policymakers are not too keen on giving more direct export subsidies such as the Merchandise Export Incentive Scheme. The suggestion for RoSL extension is under consideration," a government official said.

The RoSL, a scheme under which exporters can claim refunds from the Centre for all the levies and duties they pay at the State level, is extended only to exporters of apparel and made-ups.

"The textile sector was most vocal about the need to extend the ROSL scheme to other categories as well. The representatives claimed that their exports were under pressure and needed the support," the official said. The meeting between exporters and officials was attended by representatives of all export promotion councils and bodies.

Exporters argue that due to the current State levies and duties on various products including embedded taxes, a substantial amount of working capital gets blocked and exports becomes uncompetitive. Since the government is not keen on giving more direct export subsidies such as the one given under the MEIS, the ROSL becomes more relevant.

At present, bulk of the incentives to exporters is under the popular MEIS wherein the government gives incentives to exporters equivalent to a certain percentage of their export value in the form of duty credit scrips that can be used to pay customs duties and are freely transferable.

WTO curbs

But with the WTO now ruling that since India's per capita Gross National Income is over $1,000 it is no longer eligible to give direct subsidies such as the ones offered under MEIS, such schemes have to be phased out.

"India's exports have posted a growth of 10 per cent in the first three quarters and there are expectations that exports will touch an all-time high of $325 billion in 2018-19. The government wants to take all steps to ensure that growth doesn't go off-track," the official said.

Source: thehindubusinessline.com- Feb 07, 2019

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Reduced budget outlay under ATUFS to hit textile sector's modernization

Modernisation in the country's largest man-made fabric (MMF) textile industry in the city will come to a grinding halt with Central Government reducing allocation under Amended Technology Upgradation Funds Scheme (ATUFS) to Rs700 crore in the revised outlay for the textile sector in 2019-20.

The textile sector has been left in the lurch with the Central Government reducing the outlay for it from Rs6,943 crore to Rs5,831 crore for 2019-20. Moreover, the ATUF scheme and Rebate on State Levies (ROSL) have been reduced from Rs2,300 crore to Rs700 crore and Rs2,164 crore to Rs1,000 crore, respectively.

Industry sources said backlog in the ATUFS would be over Rs2,000 crore as over 3,000 projects that got implemented are yet to receive subsidy due to complicated guidelines of ATUFS.

The government had earlier allocated Rs17,822 crore, including Rs5,151 crore for ATUFS for the 13th Five Year Plan in order to clear long-pending committed liability.

Leader of power loom sector, Ashish Gujarati said, “ATUFS is lifeline of the textile sector. With just Rs700 crore for the ATUFS, modernization in the textile industry will be affected. The power loom weavers who have to repay loan instalment will face a difficult situation.”

Power loom weavers stated that 1,500 files from Surat are pending for subsidy approval at the textile commissioner’s office under the ATUFS for 10% subsidy. The weavers had ordered machinery from foreign countries for taking benefit of the subsidy. The complicated guidelines of ATUFS have resulted in non-reimbursement of the subsidy amount to the weavers.

Federation of Gujarat Weavers’ Association (FOGWA) president Ashok Jirawala said, “FOGWA has demanded a joint inspection team consisting of textile association, MANTRA and textile commissioner’s office be formed to hold an open house with the weavers who are yet to get the subsidy amount. Out of the total 7,000 files submitted for subsidy under ATUFS, only 70 have been approved for disbursal across the country.”

Source: timesofindia.com- Feb 07, 2019

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Govt to identify powerloom clusters, launches project 'India

Union Textiles Minister Smriti Irani Wednesday said the textiles ministry alongwith the Clothing Manufacturers Association of India (CMAI) will identify powerloom clusters in the country and go ahead in a big way for skilling of powerloom sector.

"CMAI, along with its members, has resolved that in conjunction with the textiles ministry, powerloom clusters will be identified from which adequate resources for retail businesses will procured, with assistance to powerloom weavers by the government," Irani said at a function here.

The government is going to go ahead in a big way for skilling of powerloom sector, in synergy with CMAI, she said. Textiles secretary Raghvendra Singh recalled that MoUs were recently signed with industry players wherein government will facilitate sourcing of handloom products from handloom clusters, based on requirements of industry, so that cost of production comes down for weavers.

He said that specific discussions were held today with CMAI members, and it has been decided that government and industry will work together for enhancing income of weavers and generating employment. Textiles minister also launched 'India Size' project and study of Apparel Consumption in India, at the event.

A first-of-its-kind project, India Size aims to arrive at a standard Indian size for the ready-to-wear clothing industry, on the lines of the standardized sizes available in countries such as the US and the UK. A size chart that is specific to Indian consumers' measurements will be developed. This will help Indian apparel manufacturers to tailor their cuts closer to the actual body measurements of consumers.

The India Size project will benefit manufacturers, consumers and will also generate data for textile ministry. The minister also launched a study of Apparel Consumption in India.

Representing over 45,000 apparel manufacturers and retailers, CMAI will be conducting a study spread across three to six months, for arriving at an accurate assessment of the total apparel consumption in the country, thereby resulting in more accurate business projections, better marketing strategies and investment into the industry.

The study aims to bridge the lack of accurate and reliable data on the size, spread, and extent of the domestic market. The study will attempt to come up with region-wise and product category-wise consumption patterns in the country, to arrive at a statistically reliable database, which could then become the foundation to study growth patterns in the coming year.

The report would be ready for release by July 2019.

Source: devdiscourse.com- Feb 06, 2019

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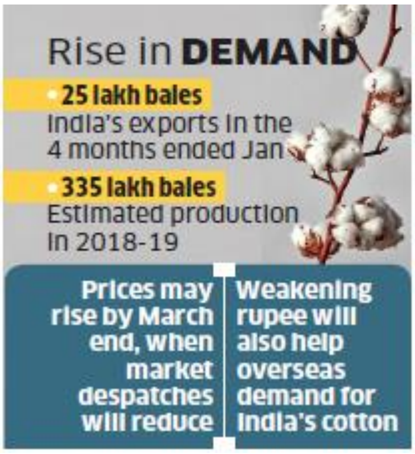
Cotton prices may remain firm this year on low output

Prices may rise by March end, when market despatches will reduce.

Cotton prices are expected to remain firm this year due to lower production in the country, apart from rising consumption in both the domestic and overseas markets, exporters and analysts said.



Prices may rise by March end, when market despatches will reduce. A weakening of the rupee will also help overseas demand for India's cotton exports, they said. India shipped about 25 lakh bales of cotton in the four months ended January to Bangladesh, Pakistan, Indonesia, Vietnam and China.

"In 2019, due to tighter supply situation as well as robust export demand following trade tension between the US and China, cotton prices will remain firm," said Veeresh Hiremath of Karvy Consultants.

He said China had offloaded most of its inventory and is importing from India. "A lot will depend on trade negotiations which India has with China. It is a growing market for Indian exporters," he said. According to Atul Ganatra, president of Cotton Association of India, prices are expected to go up by March end. "We have shipped 25 lakh bales from October to January and we have kept a target to export 51lakh bales. This will be lower than 68 lakh bales we exported last year," he said.

The CAI said production is expected to be the lowest since 2010-11 at 335 lakh bales for the 2018-19 season due to lower rainfall in the key cotton-growing states and pink bollworm attack. Analysts said buyers should wait for prices to fall before March.

"Prices are currently at Rs 20,500 per bale of 170 kg each, which we expect to dip to Rs 8,500 per bale in the short term, before seeing an upward movement to Rs 22,000 by March end or April," said Hiremath.

Source: economictimes.com- Feb 07, 2019

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Textiles sector rues synthetics' inverted duty structure

"At present, synthetic fibre is taxed at 18%, yarn at 12% and final output at 5%, creating a tax structure where rate on inputs is higher than that on output.

The textiles industry has complained that the absence of refund on input tax credit on the domestic sale of synthetic fabrics has blocked its working capital, while an inverted duty structure makes the rate on inputs higher than that on the output.

"At present, synthetic fibre is taxed at 18%, yarn at 12% and final output at 5%, creating a tax structure where rate on inputs is higher than that on output. This inverted structure has made it easier to import synthetic textiles, (rather) than manufacture them domestically," said Sanjay Jain, chairman, Confederation of Indian Textile Industry (CITI).

"Refund of inverted duty is allowed, but it is complicated and leads to working capital blockage for months. Goods and services tax (GST) on capital goods is not refunded," Jain added.

Export of manmade yarn, fabrics and made-ups dropped 3% on-year in November, to $371million. As per industry estimates, the inverted duty structure made imports 15-20% cheaper for the domestic industry.

Sales of manmade textiles such as polyester and viscose," said another industry representative, requesting anonymity.

Another grouse of the industry is that rules do not allow refund or adjustment of goods and services tax on services from output GST obligations, which has led to losses for small and medium enterprises using job working services and having an inverted duty structure.

"It is incorrectly framed and the refund rule needs to be rectified," said Jain of CITI. To resolve the issue, the industry has sought refund for unused input tax credit that lapsed on July 31 last year and extension of the refund to those selling in the domestic market.

Source: economictimes.com- Feb 07, 2019

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Indian textile and clothing exports decline in Q2 FY 18-19

India's textile and clothing (T&C) exports in the second quarter of FY 18-19, dropped 5.82 per cent to $8,935.55 million over its previous quarter. The US still remains top export market for India's T&C goods, with goods worth of $2,059.37 million exported the US.

Export of knitted apparels surpassed those of woven apparels. Knitwear exports totaled to $1941.34 million with a growth of 4.56 per cent

Cotton T-shirts lead growth

In the knitted apparel segment, cotton T-shirts ruled with export value worth $414.54 million. Exports of knitted cotton nightdresses and pyjamas grew at a robust 58.76 per cent to $83.71 million while those of cotton knitted babies garments declined by 3.34 per cent.

Export of woven apparel was $1,731.83 million, registering a decline of 21.06 per cent. This was led by the export of men's cotton shirt which was worth $204.24 million but its growth dropped marginally by 1.05 per cent.

Exports of dresses made from cotton and artificial fibres dropped significantly by 43.38 per cent and 42.13 per cent totaling $75.20 million and $42.71 million respectively.

Indian exports rule the USA market

Country-wise, the US remained largest export market for India's textile and clothing goods. In the secondIndian textile and clothing exports decline in Q2 FY 18 19 001 quarter of FY 18-19, exports to US was $2059.37 million, a growth of 2.89 per cent.

In the US, India's apparel exports rule with a stake of 47 per cent from the total T&C exports to the country.

India's apparel exports to the US during the quarter was $969.72 million.

Bangladesh, second largest export market

India's T&C exports to Bangladesh increased by 1.97 per cent over the previous quarter with exports totaling to $580.12 million. India's cotton exports to Bangladesh totaled to $475.21 million with a growth of 8.04 per cent. Export to UAE was worth $567.14 million with negative growth of 13.21 per cent.

Currently UAE is the third largest export market for India's T&C goods. Knitted apparel is the biggest commodity exported to the UAE with an export value of $252.12 million. But growth of knitted apparel dropped 7.48 per cent.

Exports to UK was $517.22 million in Q2 but perceived a negative growth of 9.40 per cent over the previous quarter. Exports of knitted apparel totaled to $213.99 million with a growth of 10.07 per cent.

Woven apparel exports dropped by 35.68 per cent while those of carpets and other textile floor coverings declined by 2.53 per cent.

Cotton lead T&C exports to China

India's T&C exports to China fell 22.49 per cent to $464.84 million. Cotton was the major commodity exported worth $369.91 million. But the commodity perceived a negative growth of 24.72 per cent over the previous quarter.

Growth in other European markets also declined. India's exports to Germany totaled $417.62 million a negative growth of 2.77 per cent. Export to Spain was $225.42 million declining 25.43 per cent.

Exports to Italy dropped 4.20 per cent with an export value of $197.67 million while to France dropped 26.60 per cent to $190.61 million. Exports to Netherlands totaled $173.45 million with a growth of 4.07 per cent.

Source: fashionatingworld.com- Feb 06, 2019

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RCEP: India must exercise caution

The regional pact goes far beyond trade liberalisation to impose a common set of rules on investment and IPRs

India's participation in the mega-trade agreement, Regional Comprehensive Economic Partnership (RCEP), has long been debated and sentiments around the subject are quite divided and divergent.

Geethanjali Nataraj and Garima Sahdev (henceforth N-S), while inferring that the long-term benefits of joining the bloc far outweigh the short-run costs, state, "...if India wants its 'Make in India' to become a global success it must participate positively to become a part of the Asian Value and Supply chain which either begins or ends in India" (BusinessLine, January 7, 2019).

There have also been compelling arguments that RCEP will facilitate micro, small and medium enterprises (MSMEs) to effectively integrate into the regional value and supply chains.

Detractors to the above theses point out that India's trade deficits with nations have always widened after signing free-trade-agreements (FTAs) with them, citing the cases with ASEAN, Japan, Korea, and Singapore, most of which are RCEP nations.

However, FTAs should not be judged on the basis of trade deficit only, but also through the impacts on the participants in the commodity value-chain. At the same time, it has also been pointed out that India's vulnerable agriculture and dairy sectors, which are not in positions to compete with Australia and New Zealand, will be exposed to vagaries of global trade.

My contention in this article is, however, a bit different. I am not against India's participation in RCEP. Given that this is the first mega-trade, I intend to raise six cautionary points, so that the costs of entering into this deal are considered.

This is to create the understanding that what is being perceived as long-term benefit by N-S might turn out to be long-term costs.

My propositions are: a) regional trade agreements like RCEP need not always be beneficial from the 'Make in India' perspective; b) impact on value chain from RCEP need not be positive; c) issues of complementarity in trade are still unclear; d) issues with services; e) raising relative trade barriers with non-members; and f) reduction in long-run trade policy manoeuvrability.

For the time being, the geo-strategic issue of existence of China in this trading bloc is being left out, as India has been getting into bilateral deals with China under the RCEP umbrella.

On the issue that 'Make in India' will be a success with India's entry in RCEP, the fact, unfortunately, is that Indian manufacturing is not competitive enough to face the vagaries of a free trade regime. Even after 27 years of liberalisation, inefficiency prevails due to a host of unimplemented reforms in the product and the factor markets. Despite the implementation of GST with the idea of creating more efficient supply-chains, rationalisation of multiple GST rates is still a work-in-progress. Further, the compliance with the existing complex norms of GST adds to the transaction costs.

Labour pangs

On the factor side, labour market reforms are incomplete. Labour productivity in manufacturing is still one of the lowest in the world with spatially fragmented labour laws are escalating the costs of doing business. Given this, Indian industry is hardly in a position to compete in the level-playing ground in a free-trade region.

If domestic industry has to thrive, it needs protection as also the enabling conditions created by factor and product market reforms. 'Make in India' aims to create enabling conditions for both domestic and foreign industries, and attract foreign investments. In no way, it is conceived at the cost of domestic industry. Complementarity in trade is the most critical element to examine before getting into any trade agreement. Lack of complementarity may make things work the other way round.

There is no assessment on this aspect placed in public forum in the context of RCEP. Rather, the rise in India's trade deficit with its FTA partners is attributed to imports of final products that are cheaper than the domestically produced ones. On the other hand, cheaper intermediate goods can rather help in making Indian exports competitive.

The issue of trade liberalisation with services is still a matter of contention among RCEP nations. In the FTAs with East and South-East Asian economies, beginning with Singapore in 2005 to the last one signed with South Korea in 2011, India has been insisting on capitalising on its pool of skilled labour from improved access to employment opportunities in these economies. This has been expected to come about by increasing the ease of movement of professionals through the liberalisation of what is called Mode 4 in services trade. To this end, India has been willing to trade up its remaining tariff policy manoeuvrability in the manufacturing industry (and even in the agricultural sector).

Under RCEP, India has sought binding commitments to simplify services trade. However, given the conditions of the manufacturing and agriculture sectors, it is definitely not a good idea to sacrifice their causes for services. This is prone to promote a skewed nature of sectoral growth.

Preferential trade pacts

Axiomatically, "preferential trade agreements" (PTAs) are not really the best moves for "small" economies (ones that are "price-takers" than "price makers" in the global economy). India, despite its huge population and increasing income levels, is a price-taker in global trade, especially in commodities. Neither could the nation wield forces to affect global commodity prices, nor does it have world-class global price discovery platforms. For such a price-taking economy, a preferential reduction of trade barriers with partners in a PTA tantamounts to raising the relative trade barrier against non-member countries.

On the other hand, RCEP in the long run goes far beyond trade liberalisation. In its attempt to harmonise foreign investment rules, intellectual property rights (IPR) laws, and several other laws and standards, beyond what has been agreed by developing countries at the WTO, it takes away an economy's ability to customise trade policies according to the needs of specific time periods. This will be another long-term cost that the Indian economy has to bear. Therefore, there are several costs that may arise in the short and long run, and they need to be accounted for before India launches for RCEP.

Source: thehindubusinessline.com- Feb 07, 2019

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