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IBTEX No. 155 of 2019 August 07, 2019

US 70.95| EUR 79.52 | GBP 86.31| JPY 0.67

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19665	41100	**73.91**

Domestic Futures Price (Ex. Warehouse Rajkot), August

Rs./Bale	Rs./Candy	USD Cent/lb
19920	41633	**74.77**

International Futures Price

NY ICE USD Cents/lb (December 2019)	58.72
ZCE Cotton: Yuan/MT (September 2019)	12,220
ZCE Cotton: USD Cents/lb	78.62
Cotlook A Index – Physical	**70.00**

Cotton Guide: Markets are clearly undecided at the moment. ICE Settlement figures have changed slightly showing an uptick movement. The ICE December contract settled at 58.72 cents/lb with a positive change of +24 points. The ICE March 2020 contract settled at 59.97 cents/lb with a change of +25 points. The volumes were lower at 27,918 contracts against the previous volumes of 50,105 contracts. However, the open interest increased by 1,328 contracts to 203,273, its highest level since June 13. December and March OI increased by 366 and 37 contracts, respectively to 140,358 and 37,305 contracts.

While we write this report, ZCE contracts are slightly positive. Yesterday, they shifted negative in the range of -55 to -305 Yuan. The ZCE September contract settled at 12,220 yuan/tonne with a change of -255 yuan. Three months ago the same contract settled at 15,345 yaun/tonne. This means the prices have plunged by -3125 yaun or 20%. Sentiments

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are bearish in the international markets. However as indicated in our previous report, the prices are expected to rebound back as the speculators could cover the short positions.

The MCX cotton contracts moved up as predicted yesterday, that MCX contracts should follow ICE. After a number of consecutive negative settlement figures, the MCX August contract settled at 19,920 Rs/Bale with a change of +190 Rs. The MCX October contract settled at 19,640 Rs/Bale with a change of +280 Rs. At MCX as well, volumes were lower at 2031 lots as compared to the recent figures in the 3000 lot range.

Also reports of pink bollworm infestation at Adilabad and Yavatmal, as published by the Hindu Businessline have helped MCX prices to improve. A fortnight ago infestations were reported in Dhule and Akola region of Maharashtra. If farmers do not take precautionary measures, the infestation is likely to spread in the neighbouring fields which can thus affect the cotton prices in the long run.

The US Crop condition report recently released put forth figures of 51% as Good to Excellent as compared to the previous figure of 61%. The crops at Texas were rated lower due to below average rainfall and above normal temperatures. This can gives the bulls some strength for the near term.

The Cotlook Index A has again been adjusted towards the downside at 70.00 cents/lb with a change of -0.90 cents/lb. Cotton Association of India (CAI) has revised its prices drastically. The ICU – 105 Fine Grade Cotton is priced at 41,100 Rs/Candy.

On the Fundamental front, we presume the day would show consolidated figures with a positive bias.

On the technical front, ICE Cotton futures continued its weakness after breaching the strong support at 60.00 and closed below the DEMA(5,9)=(59.64,60.71).Meanwhile the recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00, which may provide an immediate support for price to rebound towards the near term resistance zone at 60. MACD trending indicator made an intermediate low suggests the weakness in the prices and any pullback near MA could be a selling opportunity. On the flip side only close below the immediate support at 58.00 would weaken further towards 57.20 followed by 56.46. So for the day price is expected to remain in the range of 58.00-60.00 with sideways bias. In the domestic market MCX Aug future is expected to trade in the range of 19750-20200 with sideways bias.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

USA: Tariffs and Trade War Nudge Consumers Toward Buying Made-in-America Goods

American consumers have endured more than a year of trade tug-of-war as the U.S. and China volley one tariff after another at each other in a dispute that seems to be escalating out of control.

Now, shoppers point to tariffs—landing in the home stretch of the back-to-school season and just as retailers are putting a bow on their holiday plans—as the primary reason why they're giving their retail preferences and shopping habits a second look.

And significant changes to those behaviors could rewrite expectations for retail in November and December.

Shopkick, an Android and iPhone app that offers shopping rewards, gathered consumer insights on how the duties on imported Chinese goods are changing where and how people shop. The data, culled from surveys with more than 30,000 U.S. adults, reveals that people are already seeing higher prices hitting store shelves—and more pain could lie ahead now that President Trump has announced tariffs on the remaining $300 billion of Chinese goods, including clothing, shoes and other textiles.

More than 60 percent of the survey group is aware of the tariff threat—not surprising given the constant headlines trumpeting each new duty and its potential fallout.

Of that group, two-fifths believe retail prices are ticking upward already. And though consumers expect higher prices in stores to drive up their household expenditures, opinions vary over how much more tariffs will inflate their annual expenses. Thirty percent are bracing for threatened tariffs to pry $1,000 or more out of their bank accounts, while 38 percent anticipate an increase of half that amount.

Paula Rosenblum, managing partner with RSR Research, agrees that the specter of tariffs is looming at a particularly bad time for the retail industry. "If these tariffs happen, they're going to make a real mess of the holiday season and spring 2020," she wrote in a blog post.

Shopkick's numbers second that sentiment. For one, 60 percent of consumer claim they'll reconsider the retailers they shop regularly, likely in hopes of finding lower prices elsewhere. And a good number (44 percent) just won't shop as much as they usually do—removing those dollars from the economy altogether.

Much as importers and retailers have pulled forward Chinese shipments over the past year in an attempt to get ahead of threatened tariffs, less than one-third (29 percent) of the polling sample plans to do the same—"stocking up on goods now," Shopkick said, to avoid the potential pain of prices creeping up.

And though consumers often have short memories, there could be a silver lining in the trade spat for domestic producers. One quarter of consumers claim they'll align their loyalties to Made-in-America goods in reaction to the trade war, according to Shopkick. Whether the rubber meets the road, however, remains to be seen.

Source: sourcingjournal.com- Aug 06, 2019

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USA: Jeans Sourcing Landscape Sees Major Changes as China Fade Continues

Reflecting the volatile sourcing environment created in great part by the U.S.-China trade war, the first half of 2019 saw significant swings in denim apparel sourcing.

Imports of the category from China dropped 10.44 percent in the six months through June to a value of $369.97 million. This brought China's market share of the category–97 percent of which are denim jeans–down to 22.82 percent, a 5.11 percent decline for the year ended June 30.

Levi Strauss & Co. said it has drawn down its reliance on China as a source for its jeans. Imports from China now represent less than 8 percent of overall production for Levi's and the company said it is in the process of bringing that number down to "very low-single-digits" by 2020. Many brands have followed suit in denim and overall apparel to limit risks from tariff threats by President Trump and increased costs in China.

All of the other Top 5 suppliers posted gains in the amount of denim they shipped to the U.S., with each growing their market share. Mexico, the No. 2 denim supplier to the U.S., inched up on China to hold a 22.16 percent market share.

Jeans imports from Mexico rose 14.44 percent to $410.07 million, leading a Western Hemisphere increase of 12.03 percent to $509.74 million, which also included a 28.02 percent gain by Nicaragua to $55.19 million, and a 12.06 percent advance by Guatemala to $16.22 million.

Among the major Asian apparel suppliers, Vietnam and Pakistan are the big winners so far this year, while Cambodia and Indonesia lost ground, and Bangladesh maintained the status quo.

Jeans imports from Vietnam jumped 29.36 percent to a value of $142.36 million. The country's market share rose 36.39 percent to 8.38 percent for the 12 months, as makers look to capitalize on its apparel manufacturing expertise.

Pakistan, which benefits from also being a major supplier of denim fabric, saw its first-half imports to the U.S. rise 15.49 percent to $119.72 million. The country's market share increased 16.27 percent to 6.69 percent.

On the downslide, jeans imports from Cambodia fell 8.47 percent to a value of $45.89 million and Indonesia's shipments were down 2.54 percent to $35.57 million.

Denim apparel imports from Bangladesh rose just 1.13 percent in the period to $247.5 million, although its market share grew 4.96 percent to 14.5 percent.

Source: sourcingjournal.com- Aug 06, 2019

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Trade War Reaches Down the Supply Chain, Pinching Freight Carriers

The disruption caused by the U.S.-China trade war has impacted the global freight industry and resulted in volatility in cargo freight rates, analysts from financial services firm Cowen Inc., said on a conference call Monday.

“Rising costs have been an issue for all retailers and a significant headwind to margins over the last number of quarters,” Oliver Chen, retail and luxury analyst at Cowen, said.

Jason Seidl, airfreight and surface transportation analyst, said, “The word for the day is that things are down, but they’re down from just a phenomenal year in terms of the trucking, rail and logistics space. We started seeing shippers pull forward freight in about September last year and that pull forward continued to escape the tariffs through January.”

That inflated last year’s results a bit and took away some of the freight demand from most of 2019, Seidl said. He and Helane Becker, airlines analyst at Cowen, cited a shift in sourcing driven largely by the trade war.

Seidl said, “Once multinational corporations make a change in their supply chain, it’s permanent.” He added that even if tomorrow the U.S. and China end their trade war, “people aren’t going to redo their supply chains again.”

Becker said airlines are seeing a decline in cargo volumes, especially from Asia. She said this is for two major reasons: “The first is that capacity between the U.S. and Asia is down for U.S. airlines, as they’ve been reducing capacity in the market. For example, American is no longer flying between Chicago and Beijing and you can imagine that without that wide-body aircraft going between the two countries, there’s a fair amount of capacity that’s out of the market.”

And as for the second, she said: “The trade war between the U.S. and China has caused several manufacturers to source differently. We’re definitely seeing manufacturing moving to Sri Lanka, to India, Taiwan and Vietnam to avoid tariffs.”

Becker noted that Cowen hasn't seen container manufacturing move out of China, but demand for new containers is down from year-ago levels because many shippers pulled forward goods last year to avoid tariffs that were going into place this year, while shipping companies are taking ships out of service to retrofit engines with scrubbers to comply with IMO 2020 mandates for low-carbon fuel, so ship capacity is down.

Also impacting the air freight industry is the rapid rise of e-commerce and the demands it brings. Becker noted that with new contracts with carriers such as Atlas Air, Amazon will eventually have access to 200 aircraft, compared to FedEx's fleet of 681 with another 155 on order and UPS's fleet of 552 with a further 29 on order.

"Also know that FedEx Express started Amazon as a client earlier this year, so the volume, which we estimate was 85 million domestic packages a year has moved on to a combination of UPS, the Postal Service and Amazon," Becker said. "Last-mile delivery is very expensive and inefficient…It's been shown that the faster you get it there, the better the chance it won't be returned, and that's very costly."

She said that's why pick-up in store has become so popular, and why FedEx and UPS use Staples, Walgreens, CVS, Dollar General, their own stores and other third-party locations to allow people to pick up or drop off their packages to reduce costs.

In the trucking sector, Seidl noted that last year there was a spike that caused concern among retailers, but that has now turned around and spot truck freight prices are down around 20 percent. Contract truck rates are generally holding steady at the moment. Rail pricing is up, he noted, in excess of 3 percent.

For retailers, this should mean a flattening of truck and rail freight prices for the rest of this year, moving into 2020.

Becker said higher fuel costs are putting pressure on air freight costs and should lead to the standard 5 percent rate increase in January that FedEx and UPS usually impose. She said with a high rate of pilots retiring, there is wage pressure that tends to raise costs and rates, and "overall pressure on infrastructure costs, and that has to be borne somehow."

"And if people are going to do all their purchasing online, that has to somehow be delivered," Becker added. "We just see costs going up...especially in wages and benefits."

Source: sourcingjournal.com- Aug 06, 2019

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Uniqlo plans stores in China

Uniqlo aims at having more than 1000 stores in China in three years. The move comes on the back of Chinese consumers' soaring demand for upscale clothing. Uniqlo will continue to ride the country's booming consumption upgrade to open more stores in lower tier cities.

As of now, the Japanese clothing brand has some 700 outlets in China. Uniqlo will use both physical and online channels to reach its goals. It will also adopt technologies to improve its digital operations, such as developing mobile phone apps and websites so its products can connect digitally with consumers, especially at places where there are no brick-and-mortar stores.

Uniqlo, in the meantime, is catering to the new consumption pattern of China's young consumers, who are willing to pay for quality rather than quantity. From 2014 to 2018, its market share climbed from 0.7 per cent to 1.2 per cent in the Chinese market.

Fast fashion produced rapidly to meet the latest trends mainly uses western designs and does not reflect Chinese preferences. Established global and domestic brands face difficulties in maintaining customer loyalty in China.

Integration of fashion and traditional Chinese cultural factors is necessary. Retailers need to adopt innovative upgrades and be more responsive to the needs of consumers.

Source: fashionatingworld.com- Aug 06, 2019

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Indoneisa: Industrial sector contributes 19.52 percent to economic growth

The industrial sector contributed the most at 19.52 percent to the national economic growth of 5.05 percent in the second quarter of 2019.

"Our manufacturing industry is growing positively. The spirit and trust of business agents to invest and expand their businesses is also high," Industry Minister, Airlangga Hartarto, said in Jakarta on Tuesday.

According to the Central Statistics Agency (BPS), the manufacturing industry was the largest contributor to the national economic growth in the May-June 2019 quarter, contributing 0.74 percent to the growth.

In the meantime, the agricultural sector contributed 0.71 percent to the economic growth, the trade sector 0.61 percent and the construction sector 0.55 percent.

Three sectors that supported the non-oil/non-gas manufacturing industry in the second quarter of 2019 were the textile and garment industry which expanded 20.71 percent and the paper and paper product, printing and recording media reproduction industry which grew 12.49 percent.

The textile and garment industry grew significantly, driven by the increasing production in several production centers.

The food and beverage industry grew 7.99 percent, fueled by the rising domestic demand and exports.

The performance of the manufacturing sectors exceeded the economic growth in the same quarter. Overall, the non-oil/non-gas manufacturing industry in the second quarter of 2019 grew 3.98 percent year-on-year (yoy).

The minister said the textile and textile product industry has increasingly become competitive in the global market because it has a high competitive edge.

The industrial structure of the textile and textile product industry has been integrated from upstream to downstream industries and its products are well known in the international market, he said.

The Indonesian economy expanded 5.05 percent in the second quarter of 2019, indicating a downward trend owing to the continued export contraction and slow investment growth, the BPS stated.

The figure decreased from 5.27 percent during the same period last year and from 5.07 percent in the first quarter of 2019.

Source: en.antaranews.com- Aug 06, 2019

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Vietnam: Garment, textile industry sees decline in orders

With plentiful orders right at the beginning of this year, garment and textile industry set export target of US$40 billion for this year. However, recently, orders have suddenly dropped drastically, concerning garment and textile enterprises.

A drop in the number of orders spread from small enterprises to large-scale ones.

Mr. Nguyen Van Nam, director of Thanh Binh Garment Company, said that his company has three production lines of spandex products with more than 100 workers. Lately, his partner – a local company - unexpectedly cut orders, urging him to seek for new sources with low prices or even without profits to get job for his workers.

Other large garment enterprises, including May 10, Viet Tien and Nha Be also experienced the same situation. According to Mr. Truong Van Cam, general secretary of the Vietnam Textile and Apparel Association (Vitas), scarcity of orders is quite popular so export turnover will not be as optimistic as it was expected at the beginning of this year. The number of orders of several garment and textile enterprises merely accounted for 70 percent of that in the same period last year. This makes it impossible for garment and textile industry to achieve export target of this year.

Representative of Vitas said that the main reason of the decline in orders is the ongoing trade war, showing most clearly via a sharp drop in export volume of fiber of Vietnam. Previously, Vietnam produced an average 2.2 million tons of fiber annually, of which 1.5 million tons was for export, accounting for 68 percent of total production. However, since the end of last year, export of fiber has seen uncertainties. This year, fiber consumption has encountered difficulties. In the first six months of this year, fiber export has merely grown 1.1 percent.

Moreover, some countries devaluated their currencies so as to create advantages for export whereas the Vietnamese dong remained stable, causing export products of Vietnam to have higher cost prices, putting export of garment and textile industry at a disadvantage. The industry expected that recently-signed free trade agreements, such as the EU-Vietnam Free Trade Agreement, will strongly promote export.

Nevertheless, up to now, although free trade agreements were signed, they are merely potential markets and have not showed actual effectiveness, leading to the situation that export products are still imposed import tariffs. This might be the reason that importers shifted orders to other countries, causing a shortage of orders for Vietnamese garment and textile firms.

In addition, since the beginning of this year, both firms and experts in garment an textile industry expected that the trade war will help to increase orders for Vietnam. However, in reality, the difficult situation of global economy has caused purchasing power to decline while a shift of orders has not been clear so far.

According to Mr. Pham Xuan Hong, chairman of the Ho Chi Minh City Textile and Garment - Embroidery Association, a shortage of orders has happened but only at some enterprises, especially in the northern region, instead of the whole industry. In Ho Chi Minh City, members of the association still have received orders as normal.

‘Although a decline of orders occurred at some enterprises, overall growth rate of the industry was still higher than the same period last year. Export turnover of the garment and textile industry still might reach $40 billion as although Vietnamese firms are unable to increase export, FDI enterprises are capable of increasing export and making up for the whole industry,’ Mr. Hong said optimistically.

Vitas suggested that firms should put more efforts in order to achieve export target of this year. Especially, in the last half of this year, the industry must gain a growth rate from 11 percent upwards in order for export turnover of this year to reach the $40-billion mark. Of which, firms should try their best to look for orders and maintain production from now to the end of this year. As for large enterprises which are able to sign big contracts, they should share their orders with small enterprises. Domestic enterprises collaborate with customers to establish production chain, meeting rules of origin in accordance with commitments of free trade agreements.

In long term, in order to stabilize orders, domestic enterprises must comply with requirements of brands for sustainable development, hereby they will be recognized by brands for transparency and will attract orders in the future. Besides, enterprises in the industry need to improve their competitiveness as well as apply solutions, such as reducing input costs, standardizing production procedure and management procedure in accordance with their actual situation.

Only by managing production and human in the spirit of the fourth industrial revolution, aiming to turn regular factories into smart factories and not wasting any resource, enterprises are able to survive in the current inconsistent market, said Mr. Cao Huu Hieu, director of the Vietnam National Textile and Garment Group.

Source: sggpnews.org.vn- Aug 06, 2019

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Sri Lanka to host Responsible Fashion Summit

Responsible Fashion Summit will take place in Sri Lanka, August 8, 2019. This is a platform aimed at driving sustainable practices and accountability in the fashion industry and showcasing Sri Lanka as an apparel sourcing destination which has made considerable progress in creating a supply chain that is responsible and accountable.

Responsible Fashion Summit is a knowledge sharing platform which brings together thought leaders, creatives, and thinkers from Sri Lanka and around the world to discuss ideas which can be implemented to create real solutions for a sustainable fashion and apparel industry. This edition of RFS will focus on oceans and plastics.

Apparel exports from Sri Lanka grew 6.38 per cent in May 2019. From January to May apparel exports grew 8.7 per cent against the same period last year. This has been the highest growth rate recorded in the past five years.

Sri Lanka's apparel exports have made a significant impact on American, European and other major export markets around the globe. The country's target is to reach $ 8 billion in exports by 2025. About 57 per cent of Sri Lanka's total exports go to the US and the EU. Apparels are Sri Lanka's biggest exports to the EU.

Source: fashionatingworld.com- Aug 06, 2019

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Pakistan: Business improves on cotton market

Trade activity gained momentum on the cotton market on Tuesday ahead of Eid ul Azha holiday, dealers said.

The official spot rate extended overnight decline, losing more Rs 200 to Rs 7900, they added. In ready session, about 14000 bales of cotton changed hands between Rs 7600-8050, they said.

Rates of seed cotton per 40kg in Sindh were at Rs 3200-3700, in Punjab prices were at Rs 3400-3850, they said. In Balochistan, seed cotton prices were at Rs 3500-3600, they said.

In Sindh and Punjab, Binola prices per maund rates were at Rs 1500-1600, they said and adding that polyester fibre per kg rates were at Rs 192.

According to the market sources, sharp decline in rates, attracted buyers, indulged in forward buying of fine quality lint to cover requirements. Absence of buying interest and poor quality pushed the rates of cotton down during the last session, but now some leading mills tried to cover immediate requirements, cotton analyst, Naseem Usman observed.

In the global market, particularly in India, cotton prices fell sharply in the process of trading activity, they said.

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

The most-active cotton contract on ICE Futures US, the second-month December contract, fell as much as over 3 percent earlier in the session. Last, it was down 0.89 cent, or 1.50 %, at 58.53 cents per lb as of 1:09 pm EDT (1709 GMT).

Total futures market volume fell by 9,265 to 38,551 lots. Data showed total open interest gained 3,577 to 201,945 contracts in the previous session.

The following deals reported: 3000 bales of cotton from Tando Adam at Rs 7600/7900, 1400 bales from Shahdadpur at Rs 7600/7900, 2000 bales from Sanghar at Rs 7600/7950, 1800 bales from Mirpurkhas at Rs 7650/7900, 600 bales from Hala at Rs 7700/7900, 400 bales from Kandiaro at Rs 7700/7900, 800 bales from Khipro at Rs 7700/7900, 200 bales from Maqsoodo Rind at Rs 7750, 800 bales from Vehari at Rs 8050, 2000 bales from Burewala at Rs 7950/8000, 400 bales from Sahiwal at Rs 7950/7975 and 200 bales from Chowk Munda at Rs 8050, they said.

Source: fp.brecorder.com - Aug 07, 2019

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NATIONAL NEWS

India to continue engaging bilaterally with RCEP members for favourable deal

RCEP Trade Ministers reiterate keenness on meeting year-end deadline for talks

India will continue to hold bilateral discussions with the 15 countries it is negotiating the mega Regional Comprehensive Economic Partnership (RCEP) agreement with, including China and the 10-country ASEAN, to try and ensure that the pact, if implemented, would result in substantial market access for its goods and services.

“Indian officials had a number of intensive discussions with RCEP countries such as China, Thailand, South Korea, New Zealand, Australia, Singapore, Indonesia, Japan and ASEAN Economic Ministers at the sidelines of the Trade Ministers’ meet in Beijing.

“It was made clear to all partners that India cannot be part of an agreement that would give its industry and farmers a raw deal. The discussions on what India wants from its partners and what it can give will continue,” a government official said.

The 16-member RCEP is keen on meeting the year-end deadline for wrapping up the negotiations for the mega trade pact, but New Delhi has said that it would go for it only if its own demands, in goods as well as services, are met.

“The Ministers highlighted that as growth outlook remains overcast by rising uncertainties, it is in the region’s collective interest and highest priority to conclude a modern, comprehensive, high quality, and mutually beneficial RCEP in 2019, as mandated by the 16 RCEP Leaders,” according to the joint communiqué issued at the end of the two-day RCEP Ministerial meet on Saturday.

India decided to adopt an aggressive posture at the RCEP negotiations following a series of meetings that Commerce and Industry Minister Piyush Goyal and senior officials of the Commerce Ministry had with industry representatives numbering more than 500.

Chinese imports threat

“Almost all industrial sectors that were consulted, be it steel, engineering goods, pharmaceuticals, textiles, marine goods or automobiles, did not want to be part of the RCEP as they feared that competition from China could hurt them badly if tariffs were to be eliminated or slashed.

“It became very clear then that India should become part of the RCEP only if it is getting a lot of actual market access for its goods and services to compensate for the losses in the domestic market,” the official said.

In his interaction with China’s Vice-Minister of Commerce Wang Shouwen, India’s Commerce Secretary Anup Wadhawan sought market access in both goods and services, including larger exports of drugs, sugar, rice, dairy, soybean, IT and other services.

During the meeting with ASEAN Economic Ministers, the Commerce Secretary stressed on the importance of services trade that supported both trade in goods and investment.

“Since services is an area where the ASEAN is reluctant to make substantial offers under RCEP, India highlighted the importance of higher ambition in the area,” the official said.

As per the joint press statement, annexes on Telecommunication Services, Financial Services, and Professional Services, have been completed, bringing a total number of seven concluded chapters and three concluded annexes, and noted that some of the remaining chapters or annexes are nearing conclusion.

“… Determined to keep the momentum towards achieving the leaders’ mandate to conclude the RCEP negotiations by the end of the year, the Ministers called on all RPCs to find pragmatic and solution oriented approaches to narrow divergence on the various remaining issues,” the statement said.

Source: thehindubusinessline.com- Aug 06, 2019

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MSME loans: FM Nirmala Sitharaman to address delay in disbursal

Lack of credit disbursal by banks even after sanctions and long delays in settlement of dues by the government departments and PSUs have undermined the MSMEs' ability to sustain their business cycles, liquidity-starved micro, small and medium enterprises (MSMEs) told finance minister Nirmala Sitharaman on Tuesday.

The minister's meeting with MSME representatives was part of a series of such sessions lined up by her with important stakeholders up to August 11 to devise plans for critical sectors amid fears that the economy might be slipping into a protracted slowdown.

The minister promised to study the issue of delay in release of dues by the government departments and promised remedial steps to alleviate the difficulties of MSMEs.

"As against sanctioned, only 10% is being disbursed by banks under 59-minute scheme," said Ashok Saigal, co-chair of CII MSME Committee. Under the scheme, MSMEs registered under the GST are eligible for loan up to `1 crore in just 59 minutes through 'psbloansin59minutes.com' portal.

The MSMEs also complained that despite 70% guarantee from the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), the firms have not been able to secure loans from banks in many cases.

Another demand was to revise the the turnover/investment-related definition of MSMEs upwards. The definitions were brought in 2006 and have since become dated due to inflation.

"Currently a firm with `5 crore investment is classified as 'small' while investment over `5 crore are 'medium'. But machine that cost `5 lakh in 2006 is not valued at `15 lakh," said Rajive Chawla,Integrated Association of Micro, Small and Medium Enterprises of India (I am SME of India). Sitharaman was positive and she would look into the issue.

The minister asked all the industry bodies to give in writing their suggestions for the sector in 3-4 days to prepare an action plan for the MSME sector.

Other issues raised by MSMEs included a demand to exempt from capital gains tax for the sector if gains are reinvested in business. Among others, they sought rationalisation of penalty for late filing on MCA as it is same for large and small companies. They also raised the issue of VAT refunds not being transferred to GST regime by states.

MSMEs are the backbone of the Indian economy, contributing nearly 30% of the gross domestic product and 49% of country's exports. MSMEs are also the largest employers, next only to agriculture. Over six crore such units provided employment to about 11 crore people (NSSO, 2016).

Source: financialexpress.com- Aug 07, 2019

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Maharashtra may ask for imposing import duty on raw cotton to control domestic prices

July prices of seed cotton have reported a dip, which trade sources attribute to sluggish exports and increase in cheap imports.

As cheap imports and sluggish exports loom large over the domestic cotton market, Pasha Patel, head of Maharashtra government's committee for agriculture cost and pricing, said an import duty on cotton could be explored to keep domestic prices steady.

Patel, speaking to The Indian Express, said adequate steps would be taken to ensure cotton prices remain steady in the new season, set to start post-October.

Domestic prices of kapas (seed cotton) have been well above the government declared Minimum Support Price (MSP) of Rs 5,500 per quintal through out the 2018-19 season. However, July prices have reported a dip, which trade sources attribute to sluggish exports for both yarn and lint cotton.

In Maharashtra's wholesale markets, average July price of cotton was Rs 5,850 per quintal, compared with Rs 6,242.92 per quintal in June. The same trend has been observed in most of the major cotton producing states in the country.

Traders claim that sluggish exports have dampened cotton sentiments in the markets. India's 2018-19 export is expected to be around 46 lakh bales, compared with the 69 lakh bales it exported in the 2017-18 season.

On the other hand, imports have doubled, with the country recording 31 lakh bales of import as against the 15 lakh bales it imported in 2017-18 (one bale contains 170 kgs of cotton).

The downturn in export is mainly due to availability of cheaper cotton in the international market.

Patel said they are keeping a very close watch on the cotton scenario. "We are exploring options to boost sentiments, which would keep cotton prices above MSP," he said. One of the measures, Patel said, was to stop the dumping of cheap import into the domestic market and that would be done by imposing higher import duty on raw cotton.

Cotton sowing has been going on at a steady pace, with India reporting a 5 per cent year-on-year increase in sowing. As of August 2, India has reported 115.5 lakh hectares of cotton sowing, which last year was 109.79 lakh hectares. India on an average reports 120.93 lakh hectares of cotton sowing during kharif.

Source: indianexpress.com- Aug 06, 2019

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Gujarat High Court ruling gives relief to fabric manufacturers

'Input tax credit accumulated up to July 31, 2018 will not lapse'

In what could be seen as a major relief for the textile sector, the Gujarat High Court has made it clear that input tax credit (ITC) accumulated up to July 31, 2018 will not lapse. This will facilitate refund of the credit for that period and thus end the working capital woes for fabric manufacturers.

The core of the issue is the inverted duty structure which results in a situation when there is a higher duty on raw material/input and higher duty on finished product. In such a situation, technically speaking, refund is to be provided. In case of the textile sector, man-made fabric attracts GST (Goods & Services Tax) at the rate of 5 per cent while inputs for that attract levy at the rate of 12 per cent.

As power loom and man-made fabric manufacturers were facing problems, the Central Board of Indirect Taxes (CBIC) issued a circular saying that refund will be possible from August 2018 but accumulated ITC till July 2018 will lapse. Aggrieved by this, various companies and association of fabric weavers (power looms) filed petitions in the Gujarat High Court.

“The impugned Notification dated July 26, 2018 bearing No.20/2018 and Circular dated August 24, 2018 bearing Circular No.56/30/2018-GST to the extent it provides that the input tax credit lying unutilised in balance, after payment of tax for and up to the month of July 2018, on the inward supplies received up to the 31st day of July 2018, shall lapse, are hereby quashed and set aside and are hereby declared as ultra vires and beyond the scope of section 54(3)(ii) of the CGST Act, as section 54(3)(ii) of the CGST Act does not empower to issue such notifications and consequently, it is held that the petitioners and members of the petitioners are entitled for the credit and it be granted to them,” a Division Bench of the court said in its ruling.

Earlier, the Revenue Department argued that GST reduction on man made fibre yarn to 12 from 18 per cent gave significant relief to the sector and reduced the accumulation of ITC . As there were requests for relaxing conditions related with refund of accumulated credit, the GST Council agreed to remove the condition, however with the prospective effect.

The Council then decided that the input tax credit lying in balance on the date of the notification implementing the new provision will lapse. This lapse of accumulated ITC was in the spirit of earlier rate structure which envisaged that refund of accumulated credit was not to be allowed and accordingly circular was issued.

However, the Court did not agree with the contentions and said that no inherent power can be inferred from the provision of GST Law empowering the Centre to provide for the lapsing of the unutilised ITC accumulated on account of inverted rate structures. The petitioners have a vested right to unutilised ITC accumulated on account of rate of tax on inputs being higher than the rate of tax on the output supplies.

According to Anita Rastogi, Indirect Tax Partner with PwC, it is a well settled law as per Supreme Court ruling in the past that credit is indefeasible and this order of High Court of Gujarat reaffirms this position.

Source: thehindubusinessline.com- Aug 06, 2019

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Pink bollworm pest appears in cotton in Telangana districts

Scientists inspect infested fields in Tamsi mandal of Adilabad

The dreaded cotton crop pest, pink bollworm, has made it appearance in some fields near Ponnari village in Tamsi mandal of Adilabad district, galvanising agriculture scientists to initiate measures to control its spread. The pest was noticed for the first time on August 5 in flowers in the plants in an extent of a few acres of long duration type cotton where farmers had gone in for early sowing depending upon irrigation.

“The pest could affect the short duration cotton variety in nearby fields in the next 10 to 15 days when that crop comes to flowering stage,” warned Principal Scientist, Adilabad Agriculture Research Station, Sreedhar Chauhan. “The farmers in whose fields the pink bollworm incidence was noticed need to initiate control measures to curb the spread of pest to nearby fields,” he suggested.

A team of agriculture scientists, including Mr. Chauhan, Coordinator of the District Agriculture Advisory and Technology Transfer Centre (DAATTC) Sudhanshu Kasbe and Crop Protection Scientist in DAATTC D. Veeranna, visited the infested fields on Tuesday. Though they estimated the incidence of pest to be above the economic threshold level (ETL), they opined it was not a panic situation.

“The pest can be controlled provided farmers initiate integrated pest management measures at community level. Setting up of pheromones traps, manually destroying the infested rosette flowers and judicious use of neem seed kernel extract as pesticide at this stage,” Mr. Kasbe advised.

Community involvement

Initiation of control measures at community level is essential to continue till September to prevent pest attack October onwards when the temperature decreases. “The incidence in that duration could cause more damage to the crop,” the scientists said.

The cotton seed companies have introduced the refusia-in-bag (RIB) method of packaging 5 % of the pest attracting non Bt cotton seeds with Bt seeds this year onwards so that the incidence of pest is deflected to the former. “There, however, is no way of telling if the pest has attacked the 5 % non Bt plants or the regular Bt plants at this stage,” the scientists observed.

Source: thehindu.com- Aug 06, 2019

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Walmart top retailer in India followed by Amazon: study

A Euromonitor study has ranked Walmart as the top retail firm in India, after it acquired Flipkart in 2018 for $16 billion. Walmart is followed by Amazon, The Future Group and Reliance Retail in the respective order in the list. The India list also includes One97 Communications that runs Paytm Mall and Avenue Supermarkets that operates DMart stores.

The Walmart ranking at top of the India’s table is based solely on Flipkart and it does not take into account Walmart’s wholesale business in India as the study is only for business-to-consumer (B2C) retail businesses.

“Many urban households are adopting more modern lifestyles, especially in big cities such as Bangalore, Mumbai, Pune, Delhi and Hyderabad,” the report, titled ‘Top 100 Retailers in Asia’, said.

“This behavioural change is impacting retailing in the country. Due to households’ hectic lifestyles and the busy schedules of working adults, most consumers in urban areas prefer to make their monthly purchases from modern grocery retailers instead of traditional grocery retailers,” it said.

While Alibaba topped the overall ranking of 100 top retailers in Asia, India’s Future Group ranked at 78 and Reliance Retail at 86th on the Asia-wide ranking.

Both store-based and non-store retailing in India continued to see strong current value growth in 2018.

Many retailers integrated multichannel retailing into their operations. They offer customers the possibility to make purchases via tablet or smartphone and to choose between home delivery, drive-in pick-up, pick-up at a railway station or retrieving purchases from the store itself or from a dedicated collection point. In contrast, pure play internet retailers expanded into the store-based channel by opening brick-and-mortar stores, the report added.

Source: fibre2fashion.com- Aug 07, 2019

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Open-end spinning mills recycling garment and plastic waste see an increase in number

Recycling garment cut waste and discarded pet bottles into yarn has seen an increase in the recent years in the state, say open-end spinning mills industrialists.

Earlier, the mills used to procure cotton waste from spinning mills and reuse them to produce yarn. But, as the price of cotton waste has not been stable, they had moved to using garment waste and pet bottles as raw materials to produce recycled yarn, they said. In addition, this method of producing yarn has environmental benefits too, they said.

In this method, they can produce coloured yarn directly and eliminate dyeing process. As pet bottles are converted into fibre and then yarn, plastic waste is recycled, they said.

President of Open End Spinning Mills Association (OSMA) M Jayabal said the increase in use of garment waste and discarded pet bottles has also led to the increase in number of open-end spinning mills using them as raw materials.

"Around four years earlier there were only around 60 to 70 open-end spinning mills which recycled garment waste and pet bottles into yarn. Now, there are 268 such mills in the state," he said. Per day, these mills produce around 7.8lakh kilos of yarn, double that of what was produced four years ago, he added.

These mills procure cut waste pieces of knitted garments, segregate them into different colours and process them to separate fibres. Similarly, they procure fibre made from discarded pet bottles and plastic chips and process them. These two are then blended and recycled into yarn.

They can manufacture yarn of thickness from 6s to 40s (a measurement of yarn thickness) using this method. While the mills procure around 40% of garment waste from Tamil Nadu and 30% from other states, they had to import the rest 30% from other Asian countries, Jayabal said. Similarly, they import 20% of plastic chips from other countries, he said.

Through this method, readymade coloured yarn can be produced. This yarn is bought by power looms, who make garments such as towels, curtains and bedspreads. Jayabal said after the closure of dyeing units, this process had helped revive power loom sector. Power loom weavers too said of late many of their units, especially in and around Karur, have been using recycled coloured yarn to make products such as bedsheets and curtains.

Though the yarn made in this method could almost match the quality of pure yarn, it was difficult to get the quality certified to export the yarn, Jayapal said. Currently, 98% of their yarn is being supplied domestically and only 2% was being exported, he said.

Experts say with concepts such as recycling and environmental concerns, the future for recycled yarns looked good, but there needs to be policy to support the sector and the market also must grow proportionally.

Secretary general of Southern India Mills Association K Selvaraju said the sector posed a lot of promise with its job creation, value addition and environmental friendliness. “Many of the open-end spinning mills are small and medium units. The Centre and the state government should support them. Earlier, the tax on pet bottle fibre was 5%, but now it is 18%. It should be made 5%,” he said.

Source: timesofindia.com- Aug 07, 2019

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Apparel exporters want Centre to continue with support scheme

Apparel exporters have appealed to the Union Government to continue the Merchandise Exports from India Scheme (MEIS) for garment exports.

A. Sakthivel, vice-chairman of Apparel Export Promotion Council (AEPC), said there were reports that the government planned to stop the scheme. The MEIS provided 4 % support to the exporters.

The Council had written to all the Members of Parliament (MPs) from Tamil Nadu and requested them to take up the issue with the Prime Minister and the Finance Minister. The chairman and vice-chairman of AEPC also met 20 MPs, who were from different parts of the country, in New Delhi on August 5 and explained to them the benefits of MEIS for garment exports, why it should be continued, and the impact on the exports if the scheme was withdrawn.

A press release from AEPC said the MPs had assured them that they would take up with the government the need to continue MEIS.

Mr. Sakthivel added that apart from MEIS, he had discussed with the MPs the other issues that were affecting apparel exporters.

Another scheme, the Rebate of State Taxes and Levies, which included the embedded taxes, was yet to be implemented though the government had announced it before the elections. This was also taken up with the MPs, he said.

President of Tiruppur Exporters' Association Raja M. Shanmugham said the Union Finance and MSME Ministers held a meeting in New Delhi on Tuesday to know from the stakeholders the issues that affect the industry.

There was no clarity on the MEIS and the guidelines for Rebate of State and Central Taxes and Levies was yet to be finalised. "I highlighted these issues at the meeting. Indian apparel exporters are at a disadvantage in the international market. If the MEIS is removed, the lifeline of the industry will be lost," he said.

The industry was facing three major challenges - lack of infrastructure, high interest rates, and delay in India signing Free Trade Agreements.

Till these three issues were sorted out, schemes such as MEIS should be continued. Further, the main financial problems for the industry were because of compliance to new banking norms. The MSMEs should be insulated from the Basel III norms, he added.

Source: thehindu.com- Aug 06, 2019

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