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IBTEX No. 91 of 2019 May 08, 2019

USD 69.59| EUR 77.95 | GBP 90.96 | JPY 0.63

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22010	46000	**84.21**

Domestic Futures Price (Ex. Warehouse Rajkot), May

Rs./Bale	Rs./Candy	USD Cent/lb
21940	45855	**83.94**

International Futures Price

NY ICE USD Cents/lb (July 2019)	73.18
ZCE Cotton: Yuan/MT (September 2019)	15,425
ZCE Cotton: USD Cents/lb	103.24
Cotlook A Index – Physical	**83.15**

Cotton Guide: The ICE Contracts do not seem to have recovered from the stress they experienced after President Trump's statements. The ICE contracts were seen to struggle on to positive grounds. Early morning yesterday, the bulls tried to elevate the prices to 74.72 for ICE July but later when the US Market opened the bears took total control thus dragging the prices to the settlement figure of 73.18 cents/lb. the change was seen with a figure of -37 points.

The ICE December contract was seen to settle at 72.63 cents/lb with a change of -28 points. The volumes on the other hand at ICE volumes declined by 11,331 contracts and were recorded to be 38,010 contracts. The total Open Interest increased by 1808 contracts to 221,696.

The MCX contracts on the other hand, the MCX contracts showed a bit of upward movement with settlement figures in the range of +60 to +170. The MCX May contract settled at 21,940 Rs/Bale with a change figure of +60. The MCX June and MCX July contract settled at 22,210 Rs/Bale and 22,380 Rs/Bale with change figures of +110 and +170 Rs. The volumes were however less at 5328 lots as compared to the previous figure of 7218 lots. Domestic markets are still expected to show bearish to consolidated figures with lesser supply figures being capped by the CAI.

The cotlook Index A was adjusted to 83.15 cents/lb with a change figure of -1.80. Indian cotton is not in the list of the top 5 cheapest cottons in the world.

Variety	USC/LB CFR Far Eastern Ports	Change
Cotlook Index A	**83.15**	**-1.80**
Brazilian	82.00	
Ivory Coast BEMA	83.00	
Burkina Faso RUDY	83.00	
Memphis/Orleans/Texas	83.25	
Memphis/Eastern	84.50	
Cotlook 2019/2020 A Index	**82.55**	**-1.50**

The average prices of Shankar 6 are around 46,000 Rs/Candy.

Snippets from the recent CAI meeting: The projection of cotton export for the season is reduced (by 33% as compared to the previous year) to 46 lakh bales due to high domestic prices which is expected to prevail due to smaller crop. The Export figures last year were at 69 Lakh Bales. Imports are expected to be two fold as compared to yesteryear's figure of 15 Lakh Bales. Consumption by Indian Spinning Mills from 1st Oct 2018 to 30th April 2019 is estimated at 183.75 lakh bales. Cotton stock held by mills as on 30th April 2019 is estimated at 40 lakh bales. In other words, the stock is sufficient enough to cater for a period of 45 days. Closing stock is hence estimated to be 13 lakh bales (170 Kg) due to the recent crop size revision.

A wait and watch situation prevails in the minds of the market participants. However, we presume both the international and domestic prices to be tilted more towards south although with different intensities.

On the technical front, ICE cotton futures witnessed sharp decline towards lower end of the swing with a bearish candle closing below the prior close. Prices are below its short term Dema(9,13)=75.13,75.70 indicating the momentum on the downside.

MACD trend following indicator is below its center line suggest the downside reversal in the prices. Immediate support is at 72.33 (intermediate bottom low) and the resistance is at the value zone of 75.13-75.70. Sell on rise strategy is recommended around 74.60-74.80 for the Target of 73/72.50 SL 75.80. MCX COTTON : Sell around 22030-22050 TP : 21800 SL 22200

Estimates and Forecasts before the 10th May WASDE Report :

Meanwhile the US Cotton Production is expected to reach highest in 14 years. The 2019-2020 US crop will expand to 21.8 million bales from 18.4 million the previous season. In March, the USDA forecasts that cotton acres would dip to 13.8 million for the 2019-2020 season from 14.1 million a year earlier. Still anecdotal evidence in stated including Texas and Oklahoma Suggests that the fibre will be sown on 14 million acres nationally.

Relatively low prices for competing crops and rainy weather causing planting delays for corn can make cotton fibre an attractive alternative. Latest planting report suggests 18% of the likely crop acreage has been already soon in the US. In the May estimated US ending stocks are expected to rise massively at 6.33 million bales. US production is expected soar above 2005 production year to hit 21.77 million bales. However the US Exports might also continue to rise towards 16.55 million bales. On the global front, world production is set to rise near 124.07 million bales up by 5.07 million. World ending stock is estimated to rise marginally at 76.36 million bales.

Interpretation:

If the May actual number came closer or consensus to the estimates the ICE price may continue to remain under stress which may also drag Indian price to correct marginally especially future contracts. ICE July future is expected to trade in the trade in the range of 72.30 to 75 cents/lb. India's MCX cotton future may trade in the range of 21,650 to 22,100 Rs per bale. India's spot price may hover around Rs 45,500-46,300 per candy ex-gin in the near term.

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
No	**Topics**
1	How New China Tariffs Would Negatively Impact U.S. Businesses
2	China Battles Against Trump's Tariff Threat as Liu to Visit U.S.
3	If Trump slaps China with his threatened tariffs, the US consumer could pay
4	China April exports unexpectedly fall but imports rebound as trade talks loom
5	U.S. Cotton Production Expected to Reach Highest in 14 Years
6	Lagarde warns US-China trade tensions pose risk to world economy
7	Trump's new China tariffs will kill retail industry: American Apparel and Footwear Assn. CEO
8	World Bank: Cambodia’s economy achieves robust growth in 2018
9	Philippines exports fall for fifth month in March
10	Vietnam's garment, textile export rises 9.8 pct in 4 months
11	3rd China Trade Week Ghana slated for June 19 to 21
12	Nigeria spends $4bn yearly on textiles, ready-made clothes import –CBN
13	Bangladesh: Garment exports to US up 10pc
14	Vietnam: Project seeks to promote green garment-textiles industry
15	Pakistan: The economic mess
16	Pakistan: Dawood for attracting Chinese industry

	NATIONAL NEWS
1	Cotton imports to double this year to 31 lakh bales on lower domestic output
2	US may review GSP policy after new govt takes over
3	Ability to grow amid global slowdown is a hallmark of India
4	Lower output, price rise to hit cotton yarn margins
5	Commerce ministry organises interaction to boost India-Africa trade ties
6	Apparel exporters seek more clarity on new tax rebate scheme
7	Electronic cargo tracking system at Kolkata port does away with Customs check for Nepal-bound freight
8	First round of negotiations for the India-Ecuador Free Trade Agreement to take place soon
9	SME export needs private-sector muscle
10	Telangana frets as HT cotton finds roots in state
11	Cyclone Fani impact: Surat textile industry reels from Rs 500-crore losses
12	Bar coding on cotton seed packets to be introduced this kharif

INTERNATIONAL NEWS

How New China Tariffs Would Negatively Impact U.S. Businesses

The United States economy and business confidence may be humming along now, but both could see some major negative repercussions should President Donald Trump make good on his threat to raise tariffs on Chinese goods.

Ryan Sweet, economist at Moody's Analytics, said the tariffs, if imposed, "could throw a wrinkle in the negotiations that appeared to be nearing a deal."

Sweet added that the impact of the trade tensions is "clearly affecting global equity markets and the supply chain, boosting some U.S. consumer prices, but the most significant hit has been to business confidence." He explained that a weekly measure of global business confidence tracked by Moody's dropped sharply and hasn't yet recovered.

UBS economist Robert Martin, said Monday that the economic effects of a full-blown trade war will be large. In November, when tariff threats were first raised, Martin estimated that a 25 percent tariff on $200 billion would "subtract 45 basis points," or nearly half of one percent, from global GDP growth.

While Martin on Monday said he hasn't yet done a full analysis on what the latest threat would mean, he did note that "an escalation of the trade war would be quite harmful to the U.S. economy." He explained that while the U.S. manufacturing sector saw a rebound, "any hope of another surge in manufacturing firms is likely to be quashed by a new round of tariffs." He is presuming for now that trade talks continue, pending indications to the contrary over the next several days.

Michael Lasser, UBS' equity analyst, said Monday that he believes a tariff hike of 25 percent, presuming it persists for an extended period, would hurt many hardline, broadline and food retailers. "The brunt of a full 25 percent tariff would likely be quite inflationary as the retailers have indicated they would use strategic price actions where possible to mitigate the impact."

Simeon Gutman, equity analyst at Morgan Stanley, said that if a 25 percent tariff is imposed on 100 percent of goods coming in from China, retailers such as Bed, Bath & Beyond, Dick's Sporting Goods and Williams-Sonoma Inc. would be most impacted. The least impacted would be Home Depot Inc., Ulta Beauty Inc., Target Corp. and Walmart Inc., Gutman noted. The information is extrapolated from data the retailers previously provided concerning the China cost of goods sold that were impacted on the initial $200 billion of goods.

Trump on Friday said of the negotiations with China that the deal was "going along pretty well," but then in an about face on Sunday through two tweets gave the impression either that those discussions aren't moving fast enough toward a resolution or he's trying to apply some pressure to make sure negotiations this week–if they actually take place–result in a deal. First Trump said he planned to hike tariffs on imports from China to 25 percent from 10 percent on $200 billion in goods this Friday.

Then in the second tweet he threatened imposing 25 percent on another $325 billion in goods–essentially all goods coming in from China–that are currently untaxed. He has threatened to raise tariffs before, although some were put on hold so the two countries could continue trade negotiations. Currently the tariff is 25 percent on $50 billion of imported goods from China, and 10 percent on $200 billion.

David French, National Retail Federation's senior vice president for government relations, citing a report from Trade Partnership, was quick to note that "increasing tariffs on $200 billion of goods to 25 percent, along with tariffs already in place and retaliation, would reduce U.S. employment by over 934,000 jobs, cost the average family of four $767 and reduce U.S. GDP by 0.37 percent."

That comment is contrary to Trump's tweet that current tariff payments "are partially responsible for our great economic results."

According to data tracked by Moody's Sweet, "The Trump administration's protectionist policies have increased the average tariff rate on all U.S. imported goods from 1.5 percent at the end of 2017 to 2.9 percent at the end of last year. Federal customs receipts nearly doubled over the same period, and given the modest gain in nominal imports, the increase in customers receipts is almost entirely attributed to the tariffs."

The president further tweeted on Monday: "The United States has been losing, for many years, 600 to 800 Billion Dollars a year on Trade. With China we lose 500 Billion Dollars. Sorry, we're not going to be doing that anymore!"

Morgan Stanley strategist Michael D. Zezas said that while a tariff hike is expected to be temporary, "any escalation inherently augments uncertainty and further undercuts risk markets, where a Goldilocks outcome was already priced in."

A Goldilocks outcome is considered ideal, one where the economy is not too hot and not too cold. At the end of April, U.S. government stats indicated in a surprise report that first-quarter gross domestic product rose 3.2 percent, above the 2.5 percent rate many economists were expecting.

Since then the Federal Reserve last week seemed to have shifted its stance regarding inflation, noting the factors it was reviewing are "transitory" in nature. On Friday, the jobs report came in strong, suggesting that the U.S. economy is gaining strength, contrary to the slowdown that many economists were expecting.

Zezas observed, "The strong rally [year-to-date in the stock markets] has been fueled by the Fed's pivot and an apparent constructive shift in U.S.-China trade negotiations. With optimism pushing the equity market close to our bull case, negative surprises like a potential re-escalation of trade tensions can have a greater price impact than fundamentals might dictate."

For now, there seems to be a wait-and-see attitude among some economists as they watch for signs on what the political antagonists will do next, suggesting that perhaps Trump's threat is being viewed as a negotiating tactic.

Martin's UBS counterpart in Hong Kong, Tao Wang, who tracks the Chinese economy, said Monday that it wasn't immediately clear what triggered the sudden shift in the U.S.'s position, or whether it was simply a political maneuver to move the talks further along.

Wang also discounted rumblings that China might cancel the planned trade talks in the U.S. that are scheduled to begin on Wednesday. He noted that China's Ministry of Foreign Affairs said the "Chinese delegation is still preparing for additional trade talks with the U.S. pending further information." Moreover, Wang did have one bit of potential good news, and that's that China is "unlikely" to retaliate if tariffs were hiked on the $200 billion of goods to the U.S., provided there's no additional higher tariffs on the rest of Chinese goods entering the U.S.

U.S. equity markets at the start of Monday's trading session saw steep declines as spooked investors tried to figure out what the latest Trump tweets might mean and what could happen next. By the end of the trading session, Wall Street seemed to shrug off its initial fears.

Among the major U.S. indices, the Dow Jones Industrial Average regained most of its losses, falling just 66.47 points, or nearly 0.3 percent, to 26,438.48. The Nasdaq Composite Index, fell just 40.71 points, or 0.5 percent, to 8,123.29 points.

Among the retailers, Walmart shares rose nearly 0.4 percent to close at $102.46, while Target's stock rose nearly 0.1 percent to end the session at $75.98. Shares of Nordstrom rose 0.8 percent to close at $40.62. Among the off-pricers, TJX Cos. Inc. rose 0.3 percent to $54.19, while Ross Stores also rose 0.3 percent to $97.39.

Burlington Stores, however, saw its shares fall 0.2 percent to $172.11. Other retailers also posted losses: Abercrombie & Fitch Co., down 1.7 percent to $29.96; American Eagle Outfitters Inc., down 2.5 percent to $23.52; Gap Inc., down 1.2 percent to $25.66; Kohl's Corp., down 0.4 percent to $68.90 and Macy's Inc., down 0.2 percent to $23.20.

Among the apparel and footwear firms, G-III Apparel Group Ltd. dropped 8.0 percent to close at $39.92; Guess Inc. declined 7.2 percent to $18.94; PVH Corp. fell 2.5 percent to $123.98; Nike Inc. lost 2.5 percent to $83.57, and Ralph Lauren Corp. was down 2.3 percent to $128.22. Two companies that saw gains were Tapestry Inc., up 1.0 percent to $31.52, and Levi Strauss & Co., which rose 0.4 percent to $22.69.

Source: sourcingjournal.com- May 07, 2019

HOME

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China Battles Against Trump's Tariff Threat as Liu to Visit U.S.

China's top trade negotiator Liu He will travel to the U.S. this week for high-stakes talks as prospects dimmed for maintaining a fragile truce after President Donald Trump threatened to raise tariffs on Chinese goods starting Friday.

Vice Premier Liu will meet with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin, on May 9 and 10, according to a statement Tuesday on the Chinese Ministry of Commerce website. At the same time, China is preparing retaliatory tariffs on U.S. imports should Trump carry out his threat, according to people familiar on the matter.

U.S. equities extended declines as investors weighed setbacks in negotiations that both sides had indicated in recent weeks were headed in the right direction. The S&P 500 Index dropped 1.5 percent at 11:01 a.m. in New York. The dollar gained and Treasury yields were mostly steady.

The latest twist sets up Thursday as a crucial moment in the yearlong trade war with potentially huge ramifications for companies, markets, consumers and politicians in both nations. In light of the U.S. ultimatum, attention will turn to whether Liu offers enough concessions to stave off higher tariffs or whether China plays hardball with retaliatory measures.

"The fact that China sends a delegation to the U.S. shows it is still willing to solve the dispute by negotiations regardless of what the U.S. is saying," said Lu Xiang at the state-run Chinese Academy of Social Sciences in Beijing. "If the Trump administration follows through with the tariffs threats on Friday, I think it means the talks fall apart. We then need to be prepared for worse than worst."

China would make its retaliatory tariffs effective one minute after the U.S., if the decision to add an extra 25 percent in duties on $200 billion of Chinese imports comes into force, the people said, who asked not to be named as the matter isn't public. The State Council and Commerce Ministry didn't respond to requests for comment on the tariff plans.

The trade talks were cast into doubt after Trump's surprise announcement over Twitter on Sunday that he planned to raise the tariff increase from the current 10 percent because talks were moving too slowly. The president said he may also impose duties "shortly" on $325 billion of Chinese goods that aren't currently covered, a move that would hit virtually all imports from the Asian nation.

The Trump administration plans to increase duties on Chinese imports at 12:01 a.m. on May 10, Lighthizer said Monday. "We felt we were on track to get somewhere. Over the course of last week we have seen an erosion of commitments by China. That in our view is unacceptable," he said, adding that significant issues remain unresolved, including whether tariffs will remain in place.

China was "well prepared for other potential outcomes" of its trade talks with the U.S., "including a temporary breakdown in talks," the Global Times newspaper said in an editorial Tuesday. The door wasn't closed to talks even if the U.S. raises tariffs, the newspaper said.

Lighthizer and Mnuchin told reporters on Monday that the Chinese backsliding became apparent during their visit to Beijing last week, but that they had been reassured by their Chinese interlocutors that everything would turn out.

That changed over the weekend when China sent through a new draft of an agreement that included them pulling back on language in the text on a number of issues, which had the "potential to change the deal very dramatically," Mnuchin said. At that stage about 90 percent of the pact had been finalized, he said, and the Chinese wanted to reopen areas that had already been negotiated.

"We are not willing to go back on documents that have been negotiated in the past," he said.

According to two people familiar with the U.S.'s position, China backtracked on committing to legal changes that American officials saw as key to selling the deal domestically as the biggest concession any U.S. administration has ever gotten from China.

Such perceived foot-dragging has emboldened the trade hawks who advise Trump to keep the pressure on China.

"Whatever emerges won't be a trade deal," Steve Bannon, former White House chief strategist who has been pushing Trump to further raise tariffs on Chinese imports, wrote in a op-ed in the Washington Post. "It will be a temporary truce in a years-long economic and strategic war with China."

Source: bloomberg.com- May 07, 2019

HOME

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If Trump slaps China with his threatened tariffs, the US consumer could pay

If President Donald Trump slaps China with all the tariffs he's threatened, the U.S. consumer could take a hit.

Trump on Sunday threatened to raise tariffs on $200 billion in goods, and possibly add tariffs to another $325 billion in goods, that had not been subject to them previously. According to Citigroup, 40% of consumer goods imported into the U.S. from China have not been affected yet by tariffs.

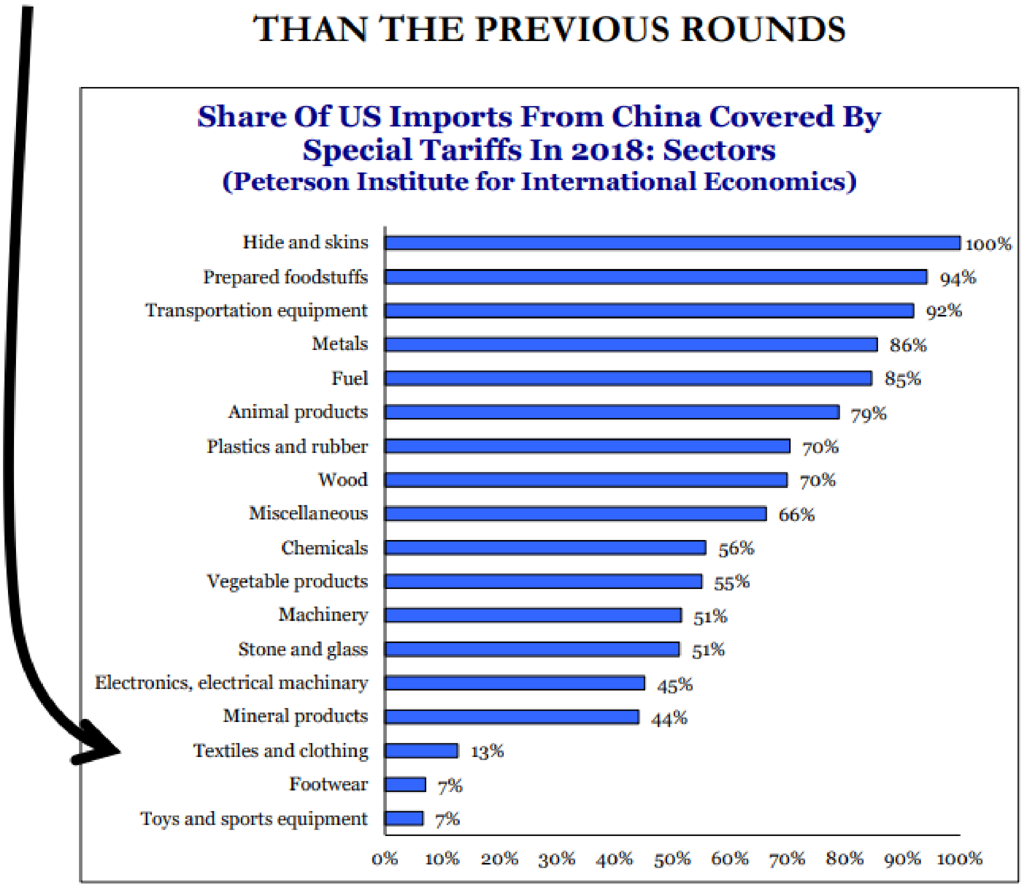
So if the administration proceeds with the additional $325 billion in goods that means clothing, toys, shoes, furniture and electronics could be subject to more tariffs, and consumers could have to pick up the tab. Citigroup also said that could lead to some inflation in the currently low inflation environment.

So far, it looks like trade talks will go forward this week after hitting a rough patch, with U.S. officials saying Chinese negotiators reversed themselves on some points of prior agreement. Trump administration officials said Monday they were preparing to move forward on raising the tariffs on $200 billion in goods Friday to 25% from 10%.

Administration officials did not say what would happen to potential new tariffs on the $325 billion in goods, which would include consumer products. But some strategists doubted the U.S. would move forward on those tariffs at this point, since they could take months to implement.

The increased tariffs would be upping the ante for the Trump administration, which launched tariffs on $50 billion in Chinese products last June. The administration then initiated 10% tariffs on $200 billion in goods, with a promise to raise them to 25% if talks didn't go well. China retaliated in kind with its own tariffs, and is expected to do so again.

NEXT ROUND OF TARIFFS WILL HIT US CONSUMERS MORE THAN THE PREVIOUS ROUNDS



Source: Strategas and Peterson Institute

"The $50 billion is mostly on capital goods. The $200 billion focus is on capital goods and some consumer goods. The remaining goods that have not received a tariff are largely consumer goods," said Cesar Rojas, Citigroup global economist. "For example, furniture, apparel, all those goods that have not received a major impact from tariffs so far."

Dan Clifton, head of policy research at Strategas Research, said the administration is threatening escalation, and Trump was trying to use the threats to get a deal with China this week. Before Trump's tweets, there had been expectations a deal would be agreed this week, and sources had told CNBC last week that they had expected one by this Friday.

Clifton said it would be difficult for tariffs to be implemented immediately on a new list of goods. According to Strategas, just 7% of toys and sporting goods, and footwear, are subject to tariffs. Of textiles and apparel imported from China, just 13% are subject to tariffs.

“Expanding the list of goods that could face tariffs would take months to implement. This gives negotiators some time even if negotiations fail this week,” Clifton said.

Wall Street still doesn’t believe it

Goldman Sachs economists said the chances of the White House putting tariffs on the remaining $325 billion are just 1 in 10.

“First, to do this would take several months, as it would require a formal regulatory process including public comment. By then, US-China negotiations are fairly likely to have produced an agreement, we believe. Second, there would be more substantial effects on consumer goods, which make up the remaining imports from China not yet affected by new tariffs. We expect the White House would seek to avoid this,” they wrote in a note.

Clifton said it will be important how the Chinese delegation conducts itself and it’s key that Vice Premier Liu He attends the talks with U.S. officials. “China is likely looking for assurances that the threat of tariffs on Friday is not real. Our base case is that negotiations will continue this week, but we warn that the issues that need to be resolved are thorny,” he said.

The tariff increase on the $200 billion in goods will go into effect at 12:01 a.m. on Friday, according to U.S. Trade Representative Robert Lighthizer. But the U.S. would reconsider the duties if talks get back on track, Treasury Secretary Steven Mnuchin told reporters Monday.

Trump’s threats of tariffs were a surprise to markets Sunday, and his tweets triggered a sharp sell-off in global stocks. But by Monday afternoon, a more than 470-point morning decline in the Dow reversed, and the Dow ended the day with just a 67-point decline as it became clear negotiations would continue.

Source: cnbc.com- May 07, 2019

HOME

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China April exports unexpectedly fall but imports rebound as trade talks loom

China's exports unexpectedly shrank in April but imports surprised with their first increase in five months, painting a mixed picture of the economy as Beijing and Washington make a last-ditch bid for a trade deal before a hike in US tariffs.

The latest trade data, which would normally be poured over for clues on how the world's second-largest economy is faring, has been totally eclipsed by worries that the US-China trade war is escalating, rather than nearing a resolution as many investors had expected.

High-level Chinese and US negotiators will meet in Washington in the next two days, as Beijing tries to avoid a sharp increase in tariffs on its goods ordered by President Donald Trump to take effect on Friday.

Investors have been hoping that China's April trade data would add to signs that its economy is beginning to steady, easing worries about cooling global growth.

Exports fell 2.7% from a year earlier, customs data showed on Wednesday. Economists polled by Reuters had expected growth to slow to 2.3% after March's surprising 14.2% jump, which some analysts suspected was inflated by seasonal and one-off factors.

"The outlook for Chinese exports is challenging. If Trump follows through on his latest tariff threats, we think this would drag down export growth by two to three percentage points," Capital Economics said in a research note.

"Even if a last-minute deal is struck this week to avoid further tariffs, the downbeat prospects for global growth will probably mean that export growth remains subdued."

Positive import surprise

Imports, however, beat expectations with a 4.0% rise year-on-year, much better than analysts' forecasts for a 3.6% fall and March's 7.6% drop. The gain suggested some improvement in domestic demand as Beijing rolls out more stimulus, such as higher spending on roads, railways and ports.

China had a trade surplus of $13.84 billion in April, smaller than forecasts of $35 billion.

Trade talk turnabout

Some analysts believe recent signs of improvement in both the Chinese and American economies may have hardened their negotiating positions on trade after months of progress when the business outlook had appeared much more shaky.

But after surprisingly strong March data from China, likely an early response to government support measures, initial April readings have been more subdued.

Factory surveys for April suggested demand was improving at a much slower rate at home and abroad, adding to the debate over how much more stimulus China needs to generate a sustainable recovery, without risking a rapid jump in debt.

Expectations of further policy support in China have intensified again after the stunning reversal on the trade front this week.

Top US trade officials said on Monday that China had backtracked on substantial commitments it made during trade talks. On Sunday, Trump said he will hike existing tariffs on US imports of Chinese goods on Friday and planned new levies on other products soon.

The swift deterioration in negotiations between the world's two largest economies has jolted global financial markets.

The Dow Jones Industrial Average, which ended Monday just slightly down, tumbled 1.8% on Tuesday, and markets in trade-reliant Asia followed on Wednesday.

Source: livemint.com- May 07, 2019

HOME

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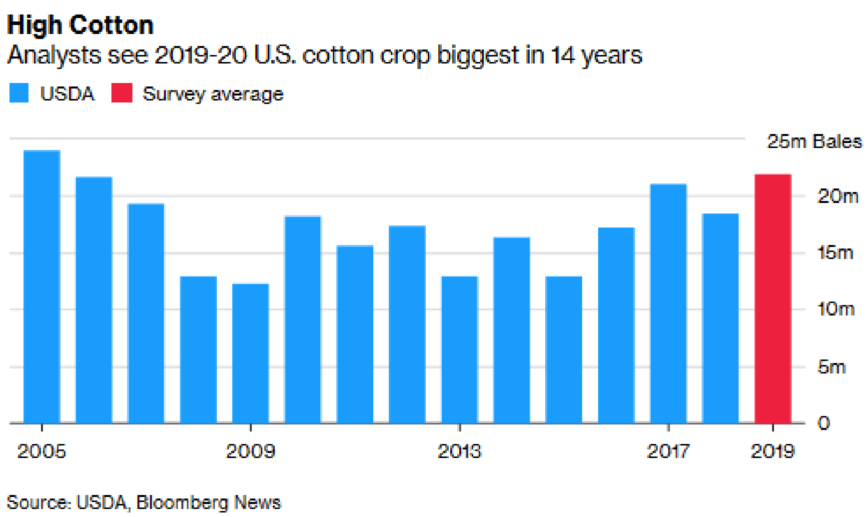
U.S. Cotton Production Expected to Reach Highest in 14 Years

U.S. cotton output may swing back to the highest since 2005.

The 2019-2020 U.S. crop will expand to 21.8 million bales from 18.4 million the previous season, according to the average estimate among analysts surveyed by Bloomberg ahead of the U.S. World Agricultural Supply and Demand Estimates report.



The USDA is scheduled to release the report Friday at noon in Washington. A bale weighs 480 pounds (218 kilograms).

U.S. & World Cotton Production, Inventory Survey Before WASDE

In March, the USDA forecast that cotton acres would dip to 13.8 million for the 2019-2020 season from 14.1 million a year earlier.

Still, anecdotal evidence in states including Texas and Oklahoma suggests the fiber will be sown on 14 million acres nationally, according to John Robinson, a professor of agricultural economics at Texas A&M University.

Relatively low prices for competing crops and rainy weather causing planting delays for corn may make the fiber an attractive alternative, said Robinson, who estimates U.S. cotton production will reach 23 million bales.

Source: bloomberg.com- May 07, 2019

HOME

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Lagarde warns US-China trade tensions pose risk to world economy

International Monetary Fund Managing Director Christine Lagarde issued a fresh warning about the threat US-China trade tensions pose for the world economy and said it may take time for the two nations to resolve their issues.

The comments came two days after tweets by U.S. President Donald Trump warning of new tariffs on China, marking an escalation of hostilities. The U.S. also accused China of retracting on commitments made during the negotiations.

We thought this threat was waning and relations were improving and we were moving toward an agreement. We hope that is still the case but today rumours, tweets and comments are not very favourable, Lagarde said in Paris.

Speaking later in an interview with Bloomberg, Lagarde said there may not be a quick resolution as both sides must tackle very important issues.

Takes Time

All the observers would like it to be done yesterday, but those matters actually take time, Lagarde said.

Chinas top trade negotiator, Liu He, still plans to visit the U.S. this week for trade talks. Trump has said he intends to raise tariffs to 25 per cent (from 10 per cent) on $200 billion of Chinese goods and may also impose duties soon on $325 billion of Chinese goods that aren't currently covered.

Today, clearly the tensions between the U.S. and China are a threat for the global economy. It is imperative for trade tensions to be resolved in a satisfactory way for everyone, Lagarde added.

Source: thehindubusinessline.com- May 07, 2019

HOME

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Trump's new China tariffs will kill retail industry: American Apparel and Footwear Assn. CEO

American Apparel & Footwear Association CEO Rick Helfenbein told FOX Business that President Trump Opens a New Window. 's plan to increase tariffs on Chinese goods would hurt U.S. retailers Opens a New Window. .

“Businesses have barely been able to survive the 10 percent tariff. 25 percent is not survivable," he said during an interview on “Cavuto: Coast-to-Coast” on Tuesday.

Helfenbein said he predicts many of his association's members could soon flee from doing business in China Opens a New Window. , adding, the major problem is how “locked” in the retail industry is with China.

“41 percent of all apparel, 72 percent of all footwear, 84 percent of all accessories come into China. We can't escape it, and with the imminent rise from 10 to 25 percent, our members have goods on the water. They're going to get hammered,” said.

The increased tariff would affect nearly 6,000 products and parts, including such items as furniture, clothing, electronics, handbags, luggage, hardware, shampoo, perfume, dishes, bedsheets, bicycles, meat and cereal. Bank of America Merrill Lynch Opens a New Window. is predicting new-vehicle prices could rise as parts from China become more expensive.

Helfenbein said the industry represents 6 percent of all imports coming into the United States and pays 51 percent of all tariffs collected.

“Two-thirds of the GDP is consumer based. 10 percent of the jobs in America are retail. And in the first four months of this year, more stores have announced closings than all of last year,” he added.

A study by the Trade Partnership found that a 25 percent tariff on the $200 billion in Chinese imports, along with existing taxes on $50 billion in Chinese shipments on steel and aluminum, would reduce U.S. employment by 934,000, costing the average family of four $767 a year.

Trade-sensitive technology and industrial stocks led the Dow Jones Industrial Average lower for most of the trading day Tuesday, something Helfenbein told FOX Business should alarm people.

“The president is doing what he said he was going to do. The fact that the markets are surprised is scary.”

Helfenbein said is hopeful that the president's threat to increase tariffs is simply a negotiating tactic, but he is fearful that if tariffs go into place Friday, the retail industry will well enough be “cooked.”

U.S. Trade Represenative Robert Lighthizer Opens a New Window. said Monday that the Trump administration will increase its tariffs on $200 billion in Chinese goods on Friday and accused Beijing of “reneging” on its commitments during earlier trade talks.

Source: foxbusiness.com- May 07, 2019

HOME

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World Bank: Cambodia’s economy achieves robust growth in 2018

The Cambodian economy grew 7.5 percent in 2018, according to the World Bank’s Cambodia Economic Update, released today. This better-than-expected growth was driven largely by the rapid expansion of exports and ongoing construction boom.

Exports of garments, footwear and travel goods — which account for more than two-thirds of total merchandise exports—recorded a five-year high, rising by 17.6 percent in 2018, up from 8.3 percent in 2017.

The construction, real estate, and tourism sectors accounted for about 60 percent of total approved investment in 2018. To support the construction boom, manufacturing of building materials, furniture metals, and plastic products also increased rapidly.

Heightened uncertainty has, however, intensified risks. The EU (including UK) market currently accounts for more than one-third of Cambodia’s exports, particularly garments, footwear and bicycles.

The potential end of the country's duty-free access to the European Market for exports — or the "Everything But Arms" arrangement — will likely result in slower exports.

In addition, the construction and real estate sectors are typically more prone to boom and bust cycles and rising domestic credit financing in the construction sector increases the vulnerability of the financial sector.

"Improving investment climate and reducing the cost of doing business along with building skills for future economy are key priorities to sustain strong growth in the medium term.

Growing evidence highlights that investment in people are essential to drive economic progress and sustainable development.

Investing in people and improving the quality of Cambodia's human capital should remain at the core of Cambodia's aspirations to reach an upper middle-income economy by 2030," said Inguna Dobraja, World Bank Country Manager for Cambodia.

The report also calls for filling skills gaps and investing in human capital to underpin Cambodia's long-term growth.

Increasing the magnitude and efficiency of these investments from individuals and both the public and private sectors can help ensure that Cambodian children get off to a healthy start, giving them the foundation they need to maximize their education and develop their skills over the course of their lifetime.

Source: moderndiplomacy.eu- May 07, 2019

HOME

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Philippines exports fall for fifth month in March

Moves in exports and imports pushed the country's trade deficit to $3.14bn

Exports from the Philippines declined for a fifth consecutive month in March, dragged down by a fall in shipments of electronics.

Trade data published by the Philippine Statistics Authority on Wednesday showed that the value of goods shipped from the Southeast Asian country came in at $5.88bn, down 2.5 per cent compared to the same period a year ago. March represented the fifth consecutive monthly contraction in exports and was also deeper than February's 0.9 per cent fall.

Meanwhile, the value of imports into the Philippines jumped by 7.8 per cent year on year in March to about $9.01bn.

Together, the moves in exports and imports pushed the country's trade deficit to $3.14 billion, or more than a third higher compared to a year ago.

Electronics shipments, which account for over half of exports from the Philippines, have suffered in recent months amid global trade tensions and slowing demand. In March sales of these goods to other countries slipped by 3.7 per cent year on year.

Exports of other key categories like manufactured goods and machinery also fell.

On Tuesday the country's statistics authority revealed that headline consumer price inflation eased to 3 per cent in April, versus 3.3 per cent in March. That is well within the central bank's target range and analysts say it could open the door for an interest rate cut when the bank meets on Thursday.

"We believe the central bank will judge the current economic conditions warranting greater policy accommodation," said ING senior economist Prakash Sakpal.

Source: ft.com- May 07, 2019

HOME

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Vietnam's garment, textile export rises 9.8 pct in 4 months

Vietnam gained over 9.4 billion U.S. dollars from exporting garments and textiles in the first four months of this year, up 9.8 percent year-on-year, according to the country's Ministry of Industry and Trade on Wednesday.

In April alone, the country raked in 2.3 billion U.S. dollars from selling the products offshore, rising 7.1 percent.

Between January and April, largest importers of Vietnamese garments and textiles included the United States, Japan, the European Union and South Korea.

The revenue surge was mainly attributable to strong market demand, with many orders already placed for the first six months of this year or even the whole year, said the ministry.

Vietnam's garment and textile export turnovers may reach 40 billion U.S. dollars in 2019, the Vietnam Textile and Apparel Association forecast.

Vietnam, which is among the world's five biggest exporters and producers of garments and textiles, posted garment and textile export turnovers of over 30.4 billion U.S. dollars in 2018, up 16.6 percent from 2017.

However, Vietnam had to spend more than 12.9 billion U.S. dollars importing cloth last year, up 13.5 percent, the association said, noting that most of local cloth has yet to satisfy quality requirements of the country's key garment export markets.

Source: xinhuanet.com- May 08, 2019

HOME

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3rd China Trade Week Ghana slated for June 19 to 21

Event organiser of the annual Chinese tradeshow, MIE Events has launched the 3rd edition of the China Trade Week Ghana slated for June 19 to 21 at the Accra International Conference Centre.

Speaking at the launch of the event, the International Events Director of MIE Groups, Zahoor Ahmed said Ghana is the preferred destination of the tradeshow because of the good bilateral relations both countries share.

According to him, China-Ghana bilateral exchange reached US$6.67 billion in 2017 representing an 11 percent year-on increase which has positively affected nearly all industry sectors of both countries.

Hence the reason they are bringing more exhibitors, extending the event to June and maintaining the 3 days to allow for more patronage for the general public hoping for the local business community to visit and see what's new in the 3rd edition of the tradeshow.

Source: ghanaweb.com- May 07, 2019

HOME

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Nigeria spends $4bn yearly on textiles, ready-made clothes import –CBN

Governor of the Central Bank of Nigeria (CBN), Goodwin Emefiele, has lamented the nation’s annual spend of an estimated $4 billion on importation of textiles and ready made apparels despite having the potential to grow cotton used in the production of such materials.

Emefiele who spoke while flagging off the distribution of seeds and other input to cotton farmers in Katsina State, for the 2019 planting season, under the umbrella union of the National Cotton Association of Nigeria, said the project sponsored by the CBN in collaboration with the Federal Ministry of Agriculture was designed to revive the nation’s moribund cotton, textiles and garments industry.

"Today, due to the unfortunate activities of smugglers and dumpers, most of the factories mentioned above have all stopped operations, as only 25 textile factories are operating today, and the workforce in Nigeria's textile industry presently stands at less than 20,000 people. In addition, a large proportion of our clothing materials are now being imported from China and countries in Europe.

"Today, Nigeria currently spends about $4billion annually on imported textiles and ready-made clothing.

"With a projected population of over 190 million Nigerians, the needs of the domestic market are huge and varied, with immense prospects for growth of the domestic textile industries."

Describing the launch as a "milestone event," Emefiele explained that the choice of Katsina was due to its position as a leading cotton producing State in the country. 'The cotton and textiles industry, given its immense potential, is indeed vital to our growth objectives as a nation, and to our efforts at creating jobs for a large number of Nigerians." the CBN boss said.

According to Emefiele, "on assumption of office in June 2014, I indicated in my inaugural speech that one of my key objectives as Governor of the Central Bank of Nigeria is to build a people focused Central Bank. In addition to a focus on key macroeconomic concerns such as lower inflation and exchange rate stability, I believed that the Central Bank ought to play a more important role in supporting Nigeria's economic development, given the constraints faced by rural farmers, SMES and manufacturing companies.

"More importantly, we believe that CBN's intervention which is aimed at import substitution will help in conserving scarce foreign exchange for Nigeria.

"We have placed considerable emphasis on addressing impediments to the growth of Nigeria's agricultural and manufacturing sectors, as both sectors represent over 52 per cent of Nigeria's GDP.

"If we are able to drive productivity gains in these sectors, it will undoubtedly translate to higher growth rate for the broader economy, result in increased rural incomes, and improvements in living standards for a majority of Nigerians.

Source: sunnewsonline.com- May 07, 2019

HOME

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Bangladesh: Garment exports to US up 10pc

Garment exports to the US increased 10.10 percent year-on-year to $1.08 billion in the first two months of the year, with the shipments expected to grow exponentially if 25 percent duty on Chinese imports comes into effect.

If that materialises, many international retailers will look to Bangladesh as an alternative sourcing destination.

Apparel was not in the list of the items subjected to US President Donald Trump's retaliatory 25 percent duty last year, but on Friday he announced 25 percent duty on $200 billion worth Chinese imports that include garment items.

"Such announcement will encourage US retailers to consider Bangladesh," said Faisal Samad, senior vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

But everything depends on price negotiations with the retailers, Samad told The Daily Star by phone.

"All things are still at the primary stage. We need to do a lot of home work if we want to grab more market share of the shifted work orders from China."

This is a potential opportunity for Bangladesh, said Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue.

Bangladesh would be benefited if the decision to impose 25 percent duty is finally levied, as the US and China are negotiating a trade deal now.

However, the Bangladeshi garment sector has been benefiting from the uncertainty that stemmed from the tariff war between the two global economic giants, Rahman said.

Despite a shift towards lower-cost manufacturing bases like Vietnam and Bangladesh, China is still the single biggest source of apparel globally, according to Bloomberg.

A 2018 survey by the US Fashion Industry Association said that companies still source 11 percent to 30 percent of their apparel from Chinese factories.

While this is down from 30 percent to 50 percent the year before, China is still the most important source of clothing, the Bloomberg said.

Bangladesh's garment export to the US market has been showing an upward trend over the last few months because of different reasons like the ongoing trade tariff war between the US and China and enhanced workplace safety.

The tariffs described by the president -- both those that would be increased to 25 percent on Friday, and those that would be added to consumer goods like clothing and shoes that are not currently being charged with punitive tariffs -- will only hurt US families, US workers, US companies and the US economy, said Rick Helfenbein, president and CEO of the American Apparel & Footwear Association (AAFA), in a statement on Sunday.

"We urge the president to refrain from imposing these additional tariffs and instead focus on negotiating and concluding the trade deal with China."

Last year, the AAFA estimated that a 25 percent tariff on the industry's products would result in a family of four paying an additional $500 a year just on these products, according to the statement.

"We strongly oppose the president's announcement that he will continue to penalise American families and add additional obstacles to economic growth by imposing further tariffs on US imports from China," Helfenbein added.

Source: thedailystar.net- May 07, 2019

HOME

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Vietnam: Project seeks to promote green garment-textiles industry

A project is being implemented in Vietnam to improve the eco-friendliness of the local textile-apparel industry, which is a big foreign currency earner of the country but also has considerable impact on the environment.

The Vietnam Textile and Apparel Association (VITAS) and the World Wildlife Fund (WWF) held a meeting for the VITAS' environment committee in Hanoi on May 7 to seek ways to step up the sector's environmental responsibility.

VITAS Vice Chairman Truong Van Cam said the garment-textiles sector raked in 31.7 billion USD and 36 billion USD in exports in 2017 and 2018, respectively. It has set a target figure of 40 billion USD this year.

However, it is also among the biggest greenhouse gas emitters, following electricity production, agriculture, road transport, and oil and gas production. The sector also faces serious social and environmental problems that have affected its reputation, he admitted.

In addressing these issues, WWF Vietnam and VITAS have been working together to carry out a project on Vietnam's garment-textiles sector, improving water management and energy sustainability.

This project, being implemented from 2018 to 2020, looks to transform the sector into a sustainable and environmentally responsible industry.

Hoang Viet, sustainable development programme manager at WWF Vietnam, said global consumers are shifting their preferences towards environmental sustainability. This has forced many famous brands to change their production modes in which they have to meet higher environmental and social standards.

Therefore, if production modes are not changed soon, Vietnam will lose its competitive edge and many future opportunities, he noted.

Source: en.vietnamplus.vn- May 07, 2019

HOME

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Pakistan: The economic mess

The economic mess in Pakistan is getting worse with every passing day. Depleting foreign exchange reserves, unfavourable trade balance, fiscal deficit, mounting circular debt, regressive taxation, the energy crisis and the free fall of rupee are all factors in this crisis.

Most of the exports from Pakistan are manufactured goods. The textile industry constitutes a major share of th exports; it includes cotton fabrics, cotton yarn, thread, knitwear, and bedwear. Rice, fish, fruits, vegetables, leather, carpets, cement and sports equipment are some of the other exports. It is pertinent to note that most of these exports are low-value commodities. These do not create a trade surplus.

Industrial production of high-value goods can turn the trade balance in a country's favour. For instance, Japan's automotive industry is the single largest source of income for the country. Similarly, China's rapid economic growth over the last four decades is due to its industrial sector. Pakistan has to shift its focus to industrial products to have a trade surplus.

Secondly, Pakistan has an inefficient tax system that is unable to implement progressive taxation. Regressive taxation is not only hindering the collection of taxes but is also responsible for increasing hardships for the poor. According to the State Bank of Pakistan, despite having a Rs 34.39 trillion economy, only Rs 5.228 trillion was collected in taxes.

Pakistan is also facing a crisis of circular debt. According to the PAC, the circular debt now stands at Rs 1.4 trillion. An inefficient energy sector is the major cause of that. According to the World Bank, energy losses cost the economy $18 billion in 2015.

The external debt is yet another issue. It has touched $100 billion for the first time in its history. Pakistan is all set to go for an IMF programme once again. This will further increase the debt.

Despite getting financial aid from friendly countries to stabilise foreign exchange reserves, Pakistan has to pay back the debt.

According to the latest World Bank report, the GDP growth rate of Pakistan is expected to go down to 3.6 per cent. This will cause an increase in unemployment. For the current population growth, Pakistan has to create 1.2 million jobs annually. It is feared that the unemployment rate will soon reach 6 per cent.

Gender inequality is also a serious problem. According to the World bank, bridging the gender gap will increase Pakistan's GDP by 18 per cent. Pakistan is currently standing at 148 out of 149 countries. Unemployment ratio in women is greater than men in almost every part of the country.

These crises are not easy to solve. First of all, one must keep in mind that a short-term programme will not work at all. Our revenue generating system needs to improve. A good tax intelligence system can help. The FBR needs to build an intelligence unit that will gather information about non-filers so that the government may pressure them. Many industries hide their original production data to avoid taxes. Similarly, many retailers do not show their real sales to avoid taxation.

Secondly, the government needs to incentivise tax filers so that more and more people contribute to the development of the country. The tax collection system needs rigorous reforms. According to a World Bank report, a company needs almost 594 hours to submit their taxes due to the red tape.

Moreover, the government can privatise some of the state institutions. Private businesses are usually known for their efficient management. Privatisation of some entities may be good for the economy in the long term.

The second phase of CPEC is all set to start. This will establish Special Economic Zones in all provinces. By focusing on engineering goods more than the already developed textile sector, the trade balance can be improved. The unemployment can be addresed by giving jobs to people of the respective provinces in these economic zones. China's economic boom in the last four decades is due to its success in economic zones. Pakistan needs to learn from China's experience in this regard.

Structural Adjustment Programmes of the IMF should be implemented carefully. It may raise electricity and gas prices in the short run but can become beneficial in the long run.

Economic reforms are never a short-term process. An economic boom requires determination and the political will to take the necessary unpopular steps.

Source: dailytimes.com.pk- May 08, 2019

HOME

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Pakistan: Dawood for attracting Chinese industry

Yet again a golden opportunity is at hand for Pakistan to attract and help relocate various Chinese industries in the country in the wake of China's decision to shift its industry outside the country, said Adviser to Prime Minister on Commerce, Textile, Industry and Investment Abdul Razak Dawood.

While briefing the media on China-Pakistan Free Trade Agreement (CPFTA) on Tuesday, he added that China wanted to establish its industry outside the country which provided Pakistan an opportunity to exploit this wave for shifting a bulk of Chinese industry to Pakistan.

He was of the view that Pakistan lost the chance ten years back when China was transferring its industry and shifted a bulk to Association of South East Asian Nations (ASEAN) countries especially Vietnam and Malaysia. He said this was the second time when China was transferring its industry to other countries and Pakistan could take advantage of this move.

"We missed the first wave 10 years ago and should take advantage of the current opportunity," the adviser stressed. In this way, he said Pakistan would be able not only to increase its exports but also bring Chinese investments in the country.

Source: tribune.com.pk- May 08, 2019

HOME

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NATIONAL NEWS

Cotton imports to double this year to 31 lakh bales on lower domestic output

Amid a severe shortage of the fibre crop, India's cotton imports are set to more than double to 31 lakh bales (each of 170 kg) this year as compared to 15 lakh bales reported last year. The imports this year will set a new milestone after 2016 when the country imported a record 29 lakh bales of cotton.

On Tuesday, the Cotton Association of India (CAI) made this import projection after it trimmed crop estimate to 315 lakh bales, about 6 lakh bales lesser than its previous estimate . Last year, cotton crop stood at 365 lakh bales. The drop is attributed to acute water shortage in the growing regions of Gujarat, Maharashtra, Telangana and Karnataka and uprooting of cotton plants by farmers in about 70-80 per cent of area without waiting for 3rd and 4th rounds of picking.

CAI President Atul Ganatra said, “International cotton prices are low but the quality is not up to the mark and it is mostly coloured cotton. Most of the good quality cotton from Australia and other nations has been bought by large buyers like China.

We see most of this imports to take from the US and Western African region.” So far import contracts for 20 lakh bales have been made, of which shipments of 7 lakh bales are reported to have already arrived in the country till April-end, while the shipments for other 13 lakh bales will arrive during May, June and July.

CAI has projected cotton exports at 46 lakh bales, a tad lower than earlier estimate of 47 lakh bales, mainly “on account of prevailing higher prices of Indian cotton and smaller crop size. Last year, cotton exports from India were 69 lakh bales.

Thus, the cotton exports this year are estimated lower by about 33 per cent,” Ganatra said. Raw cotton prices ruled around ₹6,125 a quintal in the spot market in Gujarat markets, while on BSE futures May cotton contract traded at ₹22,230 a bale on Tuesday, ₹160 higher than the previous close figure.

Indian cotton arrivals during October, 2018-April 2019 are estimated at 278.73 lakh bales. Consumption by Indian spinning mills for seven months between October 1, 2018 to April 30, 2019 is estimated at 183.75 lakh bales. Stocks held by Cotton Corporation of India (CCI), MNC buyers, ginners and exchange are estimated at 47.75 lakh bales as on April 30, 2019 which is about 51 lakh running bales.

“Due to small crop size and a very tight cotton balance sheet, closing stock as on September 30, 2019 is estimated by the CCI’s Cotton Crop Committee at 13 lakh bales of 170 kgs. each,” CAI said.

Source: thehindubusinessline.com- May 07, 2019

HOME

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US may review GSP policy after new govt takes over

The US may wait until a new government takes charge in New Delhi before it takes a call on withdrawing duty-free benefits to Indian exporters, or consider further negotiation on the issue.

The Donald Trump administration had decided to withdraw the generalised system of preferences (GSP) benefits worth $5.6 billion to Indian exporters in March. However, it did not implement the decision through a Presidential proclamation after the 60-day deadline ended on 2 May.

“Though it was not an assurance, visiting commerce secretary Wilbur Ross indicated that the US is aware that the current government cannot take any policy decisions and any movement on GSP will happen after the results of the ongoing general elections are announced on 23 May," a trade ministry official said, requesting anonymity.

Ross is in India to attend the 11th Trade Winds Business Forum and Mission hosted by the US Department of Commerce.

In his speech at the event on Tuesday, Ross listed out alleged unfair trade practices by India, including on data localization, price control on medical devices and higher tariff on telecommunication equipment. He, however, hinted that the US will wait for the new government at New Delhi to address its concerns.

“We applaud India’s commitment to addressing some of these barriers once the government is re-formed in the month of June," Ross said.

Highlighting the alleged high tariff rates in India, Ross said India’s average applied tariff rate of 13.8% remains the highest in any major world economy. “It has, for example, a 60% tariff on automobiles; it has a 50% (tariff) on motorcycles; and 150% on alcoholic beverages. Its bound tariff rates, namely the highest rate they can charge, on agricultural products average an incredible 113.5%, and some are as high as 300%. These are not justified percentages. They are way too high."

Trade minister Suresh Prabhu, in response, told the gathering that India will never pose a “strategic challenge to the US as the two are strategic allies". “Issues between the two countries can be sorted out through talks," he added.

India has often denounced the “tariff king" charge by President Trump pointing out that its duties were well within the permissible limits prescribed by the World Trade Organization, which was arrived at through a complex negotiating process of give-and-take among developing and developed nations.

It has also pointed out that the highest tariffs imposed by Japan (736%), South Korea (807%), the US (350%) and Australia (163%) are much higher than that of India. While India’s average tariff at 13.8% is higher than the US’s at 3.4%, but it is almost on a par with South Korea’s 13.7%.

India has repeatedly delayed the retaliatory tariffs announced on 29 US products against the increase in tariff on steel and aluminium by the US. While the current deadline ends on 15 May, the trade ministry official, quoted earlier, said the government is contemplating to further extend it by another 15 days.

While India’s goods exports to the US grew about 12% to $54.4 billion in 2018, US goods exports to India rose about 28% to $33 billion last year.

Source: livemint.com- May 07, 2019

HOME

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Ability to grow amid global slowdown is a hallmark of India

The shaping up of Indian economy in the past few years is an interesting story. The country has earned the distinction of having found a regular reference point in many international forums and not for wrong reasons. The recent global economic outlook report by IMF and the annual outlook report by ADB are both cases in point. One distinctive feature of India's growth is its ability to grow amid an all round global declining trend with slow growths visible in a few pockets.

It has been projected by IMF that world GDP that grew by 3.8% in 2017 and by 3.6 % in 2018 is likely to drop down to 3.3% in the current year and rising to 3.6% in 2020.

The primary reasons identified are: escalation of US-China trade tensions, financial tightening in China, economic stress in Argentina and Turkey, growth constraints in auto sector due to compliance to Euro norm in Germany.

In order to boost the economy through infusion of fresh investment out of deficit financing (a standard Keynesian prescription) a Modern Monetary Theory (MMT) is propagated. It has been acknowledged that fiscal policy has a specific role to play for macrostabilisation. However, money financing to bridge fiscal deficits has to be within a small band with an eye to inflation to minimise the adverse impact of growth on equity.

In the last one year, the US Federal Reserve, the Central Bank of Europe, Bank of England and Bank of China have all resorted to accommodate the higher liquidity demand. In India, the bank capitalisation was a welcome step, and currently bank credit has grown by 7.0% in FY17 to 11.9% in FY18.

The repo rate, albeit delayed, was brought down by 50 basis points in two successive tranches. However, this has not been immediately translated in reducing the market rate of interest.

This is predictably linked with rising NPAs in major commercial banks in India who have become highly risk averse in extending credit to the commercial sector. The supporting factors in relaxing the credit norms have been provided by both Headline WPI and Core CPI. It is seen that WPI in FY18 rose to 2.74% and wet up to 3.18% in FY19.

Conversely, the CPI that rose by 4.28% in 2017-18 came down to 2.86% in 2018-19. IMF has projected India to grow by 7.3% in the current year from 7.1% in 2018 and is slated to grow by 7.5% in 2020. The corresponding projection for China is 6.3% in 2019 from 6.6% in 2018 and is to grow by 6.1% in 2020.

A look at the projections by ADB indicates that while China has achieved a GDP growth of 6.6% in 2018, it is projected to rise by 6.3% in the current year and marginally declining to 6.1% in next year (2020). India that grew by 7.0% in 2018 is slated to rise by 7.2% in 2019 and by 7.3 % in 2020.

ADB has identified restructuring of Chinese economy and financial tightening as the main cause for lowering of growth prospect. For India, it has identified poor agricultural growth (by pushing down demand) and slow growth in Private Final Consumption Expenditure to be the primary factors that has lowered GDP growth.

As per CSO data on AE for GDP , the GVA in agriculture grew by 5.0% in FY18, went down to 2.7% in FY19. As compared to agriculture, the GVA in industry went up by 5.9% in FY18 and rose by 7.7% in FY19. The behaviour of the economic parameters in implied Q4 of FY19 reveals a few weaknesses of Indian economy, which must be addressed fully if India's growth story is to maintain the momentum.

The implied real GDP growth in Q4 is 6.4%, the lowest in recent period. The GDP growth was led by PFCE, which enhanced its share in GDP by 0.5% to reach at 59.5% in FY19 and partially by GFCF that rose from 28.6% of GDP in FY18 to 28.9% of GDP in FY19. All forecasts indicate a better performing Indian economy for FY20.

For steel industry to maintain its consumption growth of around 7.5%, it is essential that GFCF as a percentage of GDP rises from 28.9% to 32.0% at least in order to stimulate demand from the capital goods and construction sector.

A stable growth in PFCE is to grow by 9.0%, which would provide ample support for the demand growth in automobile including two wheelers, tractors and other components of consumer durable sector.

The real estate sector, including affordable housing segment, is also dependent on rising household expenditure that can be further facilitated by growth in non-food credit growth and lowering of market rate of interest.

Source: financialexpress.com- May 07, 2019

HOME

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Lower output, price rise to hit cotton yarn margins

The operating margins of domestic cotton yarn spinners are likely to shrink 100-150 basis points (bps) in financial year 2020 mainly because of lower cotton output, rising cotton prices, and moderating demand. This will reverse the recovery seen in the previous fiscal year.

But this will faintly impact the credit profiles of spinners, given the continuation of three major spurs of FY 2019 — modest capex intensity, prudent working capital management, and strengthened balance sheets.

India's cotton production is expected drop by over 5% in cotton season 2019 (the CS is usually from October 1, 2018, to September 30, 2019) due to low water availability and inadequate south-west monsoon in key cotton producing states and higher incidences of pest attacks.

Lower production is expected to shrink India's cotton stock to a two-year low of 1.2 months by the end of CS 2019, leading to firming up of domestic cotton prices to Rs 128-Rs 140 per kg this fiscal year — a rise of 7-8% over previous financial year.

Meanwhile, global cotton prices are expected to remain steady at Rs 128-134 per kg as the lower production in India, the US and Australia will be offset by higher production in China and Brazil. This would narrow the gap between domestic and global cotton prices, said CRISIL on Tuesday.

Demand for cotton yarn is found to be turning south due to moderation in domestic as well as exports demand. CRISIL estimates the overall cotton yarn demand (volume terms) to grow at a slower pace of 4.5% in fiscal year 2020 as compared with 5.6% in the previous financial year.

The slowdown will be mainly driven by tepid growth in domestic demand (comprising three-fourths of overall demand) at 2.9-3% in fiscal 2020.

Growth in exports is also expected to be slower at 9-10% in FY2020, compared with 13.5% in FY2019, amid trade tensions between the US and China, and commissioning of yarn capacities in Vietnam, which enjoys preferential access to Chinese markets.

“This is not good news for Indian spinners,” said Hetal Gandhi, director, CRISIL Research. “Higher cotton costs and moderate demand outlook mean they may not be able to get commensurate increase in yarn prices, which would reduce their operating margins by 100-150 bps in this fiscal year,” he added.

CRISIL rates 309 cotton spinners. Considering lower profitability, debt/Ebitda (earnings before interest, tax, depreciation and amortisation) of CRISIL’s portfolio is expected to be 3.5-4 times in FY2020, compared with 3.5 times in FY2019 and 4.6 times in FY2018.

“The credit profiles of spinners are not expected to be impacted materially, as capital spending is likely to remain moderate given current capacity utilisation levels of 75-80%,” said Gautam Shahi, director of CRISIL Ratings.

“Spinners are also expected to continue managing their working capital prudently,” he added.

Besides, strengthening of balance sheets owing to healthy demand and softer cotton prices, and moderate capex in FY2019 will help spinners absorb impact of lower operating profits in the current fiscal.

However, small cotton spinners (spindles less than 20,000) with leveraged balance sheets could face some challenges because of higher cotton prices, the ratings agency noted.

Source: financialexpress.com- May 08, 2019

HOME

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Commerce ministry organises interaction to boost India-Africa trade ties

A two-day interaction was organised by the Commerce Ministry and Indian High Commissions and embassies of eleven African countries to strengthen the India-Africa trade ties.

The interaction was arranged over Digital Video Conference (DVC) over two days, on May 3rd and May 6th with the Indian business community in Africa.

In order to build an effective engagement with the Indian Diaspora in Africa, the interactions with Indian Diaspora were held in Tanzania, Uganda, Kenya, Zambia, and Mauritius, Nigeria, Mozambique, Ghana, South Africa, Botswana, and Madagascar.

The DVC was attended by over 400 members of the Indian business community in 11 African countries.

This initiative of the Commerce Ministry emphasizes on the need for a multipronged strategy for further enhancing trade and investment ties between the two regions.

During the interaction the Indian Business Community of these 11 countries also highlighted several issues including improving the line of the credit system and developing a facility for affordable and competitive funding and setting up of Indian banks and financial institutions in Africa.

Reviewing and liberalizing visa policies from both sides and need for direct flights between India and African countries was also highlighted during the interaction.

Department of Commerce assured the community that these suggestions will be shared with relevant stakeholders and departments in order to incorporate the suggestions in the India-Africa strategy for trade promotion.

As per the ministry of commerce, India's total trade with the African region during 2017-18 was USD 62.69 billion which stands at 8.15 per cent of India's total trade with the World.

"Today, African countries present immense opportunities for India with the world's largest land mass, 54 countries, a population growing to be almost equivalent to that of India, huge mineral resources, oil wealth, a youthful population, falling poverty levels and increasing consumption patterns", read a statement by the commerce ministry.

The Indian community in Africa is playing a vital role in all fields like politics, business and education. As per the latest available estimates the current strength of the Indian Diaspora in the African countries stands at 2.8 million out of those 2.5 million are PIOs and rest 220967 are NRIs.

Senior officers from the Department of Commerce and Ministry of External Affairs remained present during the interactions.

Source: business-standard.com- May 07, 2019

HOME

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Apparel exporters seek more clarity on new tax rebate scheme

The Apparel Export Promotion Council (AEPC) has sought a clarification on disbursal of the recently-announced rebate of state and central taxes and levies (RoSCTL) on export of garments and made-ups from the Union commerce ministry.

AEPC acting chairman A Sakthivel had met union commerce minister Suresh Prabhu in Delhi on Monday in this regard. "Though RoSCTL was announced on March 7, there is clarity on how to apply for it and disbursal mechanism.

The ministry should also clarify how exporters would get RoSCTL refunds in the transition period," Sakthivel said.

Pointing out that export business has significantly picked up after the announcement of the scheme, he also requested the minister to implement it as early as possible to help exporters to take full benefit of the scheme.

The rebate on state levies (RoSL) for the apparel exports was reduced to 1.7% from 3.5% when the GST was implemented.

Now, along with 1.7% RoSL, 4.35% rebate of central embedded taxes and levies would be provided to exporters under the RoSCTL scheme, which would be valid only up to March 31, 2020.

Source: timesofindia.com- May 08, 2019

HOME

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Electronic cargo tracking system at Kolkata port does away with Customs check for Nepal-bound freight

While the country was busy with elections, there were some major developments in India-Nepal trade relations.

First, the containerised rail cargo carrying third-country imports of Nepal through the Indian ports of Kolkata and Vizag will no longer require clearance by Indian Customs authorities as both ports have introduced the electronic cargo tracking system (ECTS).

The ECTS is an electronic seal that, unless tampered with, ensures free movement of the container through the international border.

The system has already been introduced at Vizag port in line with a project undertaken by the Asian Development Bank (ADB) and was introduced by Kolkata port a few months ago.

The electronic cargo system at Kolkata now does away with Indian Customs' check of Nepal's third-country imports.

Nepal had for long been resisting checks by Indian Customs of its third-country imports, while the Customs authorities had defended the move, citing the prospect of diversion of cargo.

Road cargo movement

With rail movement of containers easing up, Kolkata port authorities are planning to introduce ECTS for road movement of containers, in phases. While Vizag doesn't have any road cargo for Nepal, a large section of the third-country container imports through Kolkata take the road.

Meanwhile, the transition to ECTS has resulted in a shift of cargo from Kolkata port to Vizag.

According to sources in the Container Corporation of India (Concor), till two months ago, 70 per cent of the Nepal-bound container cargo was through Kolkata port.

The ratio reversed over the last two months as Kolkata port now handles 30 per cent of the Nepal-bound container cargo. The rest went to Vizag.

According to sources, this is because of increase in costs while operating through Kolkata due to imposition of high handling charges by the shipping lines vis-à-vis Vizag, which enjoys the advantage of lower ocean freight.

Coal handling improves

But Kolkata port authorities are confident of bouncing back. According to Chairman Vinit Kumar, over the last year, the port has taken a number of measures to ease the movement of Nepal-bound cargo.

The most important of such steps was handling of coal at Kolkata dock system. Kolkata port has two dock systems and bulk cargo is normally handled by the Haldia dock system.

Low rake availability and inadequacies in handling led to a pile-up of coal cargo at Haldia.

The problem has been resolved as Kolkata shared the burden and rake handling ratio improved substantially.

Source: thehindubusinessline.com- May 07, 2019

HOME

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First round of negotiations for the India-Ecuador Free Trade Agreement to take place soon

The first round of India-Ecuador Free Trade Agreement (FTA) which will reduce and/or eliminate customs duties on certain items traded between the two is scheduled to take place soon. This assumes significance as the region holds great potential for exports and investments.

Senior government officials have confirmed to Financial Express Online that the feasibility study related to the India-Ecuador FTA is completed and the date and place of the first round of negotiations will be decided once the new government is in office.

The respective investment promotion agencies of the two countries are already promoting greater exchange of information on investment and business opportunities in both countries.

Last June, The Financial Express was the first to report that India had initiated a joint study with Ecuador for negotiating a trade agreement for boosting commercial ties and signing an FTA.

Also, it may be noted that a protocol was signed in 2015 for setting up India-Ecuador Joint Economic and Trade Committee (JETCO) for deepening and strengthening the existing trade relationship between the two countries.

In an effort to expand its trade basket with India, the South American nation has reached out to India for setting up a Centre for Excellency in Agriculture. In an earlier interaction with Financial Express Online, Ecuador's envoy to India Hector Cueva Jacome had said that his country offers privileged location, extended production diversity, great potential in agri-business, fishery, aquaculture, forestry, mining, tourism. Besides favorable legislation on foreign investment, the government of that country offered preferentially commercial access to different markets.

There are huge opportunities for Indian companies in the oil sector, pharmaceuticals and gold, and silver. The government of the South America nation has recently started exported long-lasting roses and environment-friendly products for the Indian garment industry.

So far, 99% of the teakwood used in India comes from that country. Agricultural products including canned tuna fish, prawns, and sardines, broccoli and asparagus are some products that can be imported from that country.

Source: financialexpress.com- May 07, 2019

HOME

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SME export needs private-sector muscle

An active role from the private sector would ensure more and more SMEs are able to take advantage of opportunities in the global market.

Trading has been a major part of the world economy for a long time. The member nations of the World Trade Organization (WTO) alone contributed to a whopping $23 trillion last year in exports only and the global trade is expected to grow at a rate of 4-5% year-on-year.

This goes on to show that there are huge scopes in the global markets to be explored by businesses around the world. This huge growth is going to create a vacuum between the current supply and the new demand—a vacuum which is there for the taking and small- and medium-sized enterprises (SMEs) are the ones who can take most advantage of it.

SMEs are an integral part of any economy; they form the backbone of the economy. While the government consistently focusses on making India a $5 trillion economy and reach $2 trillion in global trade in the next few years, SMEs remain an integral part of this endeavour.

Over the past few decades, the SME sector, comprising manufacturing, agro-industry, service industry, apparels & textile, gems & jewellery, food processing, metal & alloys, packaging, polymer & chemicals, etc. have emerged as one of the most vibrant and dynamic engines of Indian economic growth.

For India to become a $5 trillion economy, the contribution of this industry will be the focal point. The growth of the 65 million SME businesses is surely going to make a huge difference in the overall economy of our nation.

Govt focus on exports

There have been a number of reforms and schemes by the government to help the businesses in growing internationally. The flagship programmes such as Make in India, Digital India, Skills India, and Startup India are the strong foundations on which the sustainable growth for going global could be built. India's overall exports (merchandise and services) were estimated to be $483.98 billion during April-February 2018-19, exhibiting a growth of 8.73% over the year-ago period.

The Foreign Trade Policy 2015-20 and other schemes provide promotional measures to boost India's exports with the objective to offset infrastructural inefficiencies and associated costs involved to provide exporters a level playing field.

There are schemes such as Merchandise Exports from India Scheme (MEIS), Duty Exemption and Remission Schemes, zero duty EPCG scheme, Post Export EPCG Duty Credit Scrip Scheme, EOU/EHTP/STP & BTP SCHEMES, and interest subsidy scheme, etc. launched by the government to boost exports from India.

The government has also taken initiatives to open newer markets for products, including plans to set up trade promotion bodies in 15 countries to boost exports from SMEs.

There have also been other SME-specific initiatives, such as STICK (Science, Technology, Innovation and Creation of Knowledge) to keep the SMEs abreast of the changing paradigms of innovation and technological advancement.

The initiative of Indian Customs introducing full and comprehensive digitisation of export/import transactions and the 'integrated declaration' will provide the importers and exporters a single point interface for customs clearance of import and export goods.

Further, India ports infrastructure market stood at more than 1,212 MMT in 2018 and is projected to reach 1, 784 MMT by 2024, owing to increasing government initiatives to enhance the capacity and utilisation of the country's major and minor ports.

Low participation of SMEs in the global trade

Even though the government has taken the right steps, there is more that needs to be done to increase global trade to reach $2 trillion per year.

Indian SMEs have been reluctant to export due to multiple reasons. For example, finding and qualifying a global trade counterpart is a big challenge on its own, and that's only the beginning of the complex export process. With the lack of trade intelligence, it is hard for an SME to trust anyone due to lack of information about the counterparts and even the market on a whole. The local markets, although, marginally profitable, feel a lot more comfortable to SMEs due to access to first-hand market intelligence.

While the government has been constantly working to make global trade more and more accessible to SMEs, when it comes to going global, an SME doesn't have the bandwidth to nurture a global trading team and have them execute proper, and controlled, safe-trade. The situation actually presents a big issue of the lack of having a proper knowledge channel for the SMEs with limited resources to hand-hold them in global trading.

While the government's policies and schemes have been an amazing boost for SMEs, reaping optimum returns from these still requires guidance, hand-holding, and partner-based approach.

Need for private sector involvement

While the government has come up with the right policies, the SMEs still need guidance to benefit from these policies and help fill the remaining gaps in global trading. Ground-level involvement and execution are still required to implement these policies.

Global trade's complexities and risk associated with it will always require the detailed trade intelligence and expert hand-holding for doing it right. This is where the role of private and public partnerships emerges as an important part of the bigger ecosystem that is looking to make India a major global trading player.

What private, specialised entities need to deliver is to ensure we make our SMEs globally aware, visible, and competitive, and partner with these SMEs for end-to-end global trade hand-holding.

How would it help grow SME exports?

- It is important for SMEs to be competitive in product quality and be aware of international quality standards and specifications. The large enterprises could help their ancillary SME units to be globally competitive, as that would help the entire global value chain. Global trading also demands certain standards in the products to be exported and processes executed where private participation could play a big role.
- It is important for an SME to have good global presence and visibility to be seen as a trustable supplier. Further, the SME needs to be competitive on prices and market strategies as well. Trade intelligence is one of the most important, foundational factors in global trading. It is important for an SME to choose the right market and invest its resources intelligently. On top of it, the SME needs to be intelligently cost-effective, which requires on point awareness of the prevailing prices to play at the best margins. The integrated global trade platforms could help SMEs with trade insights, intelligence, and resources.
- While global branding and market intelligence can kick-start the trade, it is the actual execution of the global trade that is the most complex. Identifying and qualifying global trade counterparts for export/import are still challenges for SMEs. Then, arranging and executing orders is a big ask from an SME with lack of time, resources, expertise, and capability in global trade. There is still a high degree of process and documentation that exists in the global trading business. SMEs need literal hand-holding and partner-based approach throughout the process of initiation, negotiation, facilitation, and order execution.
- Trade experts and service providers are the real gears of the global trading engine. Choosing the right service provider at the right prices will hugely impact the success of your order and global trade initiative. It is important for SMEs to have access to a larger network of trade experts, service providers, and expert resources with access to prevailing information on these providers.

The private-public partnership could reap rich dividends

It is difficult to ignore the role of SMEs in realising India's $5 trillion economy and $2 trillion global trade objective and it is important for the SMEs to realise the role of global trading in realising their business growth objective. While the government has been working really hard in pushing SME growths, involvement of the private sector is necessary for the efforts of the governments to reap fruits.

The government is actively involved in increasing the size of the global trade pie for Indian SMEs, though an active role from the private sector would ensure that more and more SMEs are able to take advantage of opportunities in the global market. It needs active involvement, especially from companies who could provide a partner-based approach and end-to-end solutions and could work on the ground to enable and empower SMEs to export/import effectively.

The global trade is no longer a luxury for SMEs, it's a necessity they shouldn't ignore and both the government and private sectors need to play a big and active role in helping our SMEs realise their true potential and help India become an economic superpower.

Source: fortuneindia.com- May 07, 2019

HOME

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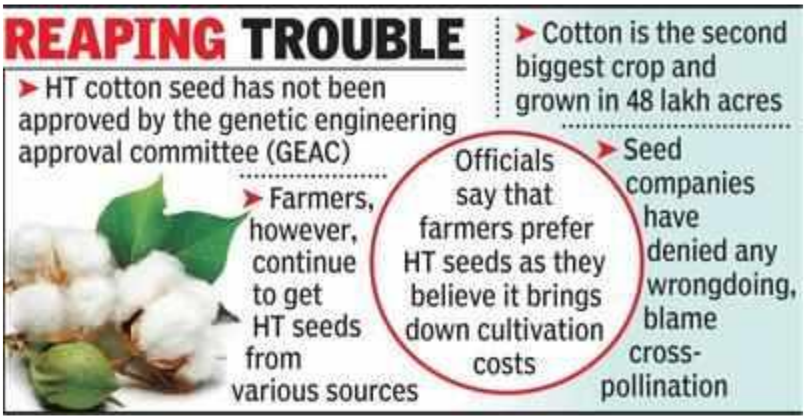
Telangana frets as HT cotton finds roots in state

Barely a few months after the Andhra Pradesh government cancelled licences of some seed companies for their role in distribution of unapproved herbicide tolerant (HT) cotton seeds, the Telangana government has intensified vigilance against such companies and usage of seeds by farmers.

Considering that cotton is the second biggest crop in Telangana — grown in 48 lakh acres — after paddy, senior officials are taking no chances and have already held meetings with representatives of 200 seed distribution firms. Some 80 samples were collected from agriculture fields for laboratory tests to check if they are HT cotton seed. To the shock of officials, results have shown that farmers were using HT seed on a large scale.



HT cotton seed has not been approved by the genetic engineering approval committee (GEAC), which is the deciding authority at the Centre. Despite the technology not getting GEAC's approval and restrictions on use of glyphosate, a herbicide which is applied to the leaves of plants to kill broadleaf plants and grass, many farmers continue to get HT seeds from various sources, it is said.

Principal secretary (agriculture) C Parthasaradhi said they would intensify efforts to rein in firms resorting to sale of illegal or duplicate seeds. "It's a laborious process to take action against any seed company. However, we are training our staff to undertake more field visits and check illegal seed," he told TOI. The agriculture department on Tuesday held a workshop for seed task force committees in this regard.

Senior officials aver that farmers prefer the HT seeds as they believe it brings down cultivation costs. "When glyphosate is sprayed on the crop and sown with HT cotton seed, it kills the weed and allows the cotton plant to grow," a farmer said.

Seed cos deny any wrongdoing

The fact that glyphosate is used in large quantities and its sales have gone up proves the worst fears of officials. Though glyphosate is not banned, officials are clamping down on its usage. After officials tightened the entry of HT seeds from Maharashtra and Gujarat, firms are finding alternative routes.

"These seeds are brought from neighbouring states from common Mahbubnagar district," a senior official said. Meanwhile, the seed companies have denied any wrongdoing and said cross-pollination can give false impression on the seeds distributed by them and seeds used by the farmers.

Source: timesofindia.com- May 08, 2019

HOME

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Cyclone Fani impact: Surat textile industry reels from Rs 500-crore losses

After leaving a trail of destruction and damage in the eastern states of Odisha and West Bengal, cyclone Fani has wreaked havoc in faraway Surat in Gujarat, where the textile industry is reeling from post-cyclone losses of over Rs 500 crore, before leaving for Bangladesh.

“The cyclone has disrupted the supply of cloth and garments from Surat over the past four days, and it would take another fortnight to restore the situation,” says Dev Kishan Mangani, chairman of South Gujarat Chamber of Commerce and Industry’s (SGCCI’s) textile committee.

“Ahead of Ramadan festivities, textile units in Surat are flooded with orders from Odisha, West Bengal and Bangladesh. Over the past several days Rs 25 to Rs 30 crore worth goods were being transported from Surat to these eastern states on a daily basis.

But, buyers have stopped taking goods in the aftermath of the cyclone. Most of the warehouses have been damaged in Odisha and Bangladesh, and are facing storage problems. Roads in the cyclone-hit areas of all three places have been badly damaged,” said Mangani.

“By the time situation would normalise, Ramadan festivities would be over and goods manufactured specifically for the festival would not be sold elsewhere,” he said. “Cloths used to make garments such as burqas would remain unsold as the material used is seldom used for any other purpose,” he lamented. According to estimates, Surat-based textile units would suffer losses of nearly Rs 500 to Rs 600 crore.

To make matters worse, a sizeable number of labourers from Odisha are employed in the Surat textile industry, said Ashish Gujarati, president of Pandesara Weavers’ Association. “These workers were already on extended holiday since Holy due to Lok Sabha polls.

They were supposed to return to work by mid-May. Now, most of them would not able to come back soon on account of the losses they have suffered. It means most of the workers from Odisha and parts of West Bengal would be able to return earliest by June only,” he said.

Source: financialexpress.com- May 08, 2019

HOME

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Bar coding on cotton seed packets to be introduced this kharif

A team of MoA officials visits TS to study online seed certification system

The Ministry of Agriculture and Farmers' Welfare plans to introduce an online seed certification system and also a bar and QR coding system for cotton seed packets in all the States from the coming kharif.

On a visit

Assistant Commissioner in the seeds wing of MoA, D.K. Srivatsava, disclosed this on Tuesday at a meeting with the officials of Agriculture Department and Telangana State Seed and Organic Certification Authority. A team of MoA officials was here to study the online seed certification system that was implemented by Telangana in 2016.

Complimenting the officials of TSSOCA and Agriculture Department for making Telangana the first State to introduce the online seed certification system, Mr. Srivatsava said the Ministry was planning to introduce online seed certification in all other States in the country taking Telangana as a model. Director of TSSOCA, K. Keshavulu, offered to cooperate with all the States in introducing the system.

Mr. Srivatsava stated that although the MoA had sanctioned funds for the introduction of online seed certification to all the States, no State except Telangana has introduced it completely.

Later, at a meeting with the officials of Seed Development Corporations and Seed Certification Authorities of Telangana and Andhra Pradesh, Mr. Srivatsava said the MoA had already decided to introduce Bar and QR coding on cotton seed packets for traceability in all the States, including Telangana, from the next kharif. The Bar and QR coding would have the details of seed producer and seed testing, he said.

Principal Secretary (Agriculture) C. Parthasarathi and the Director of TSSOCA, K. Keshavulu, explained how Telangana had overcome problems in implementing the online seed certification system from the 2016 kharif and how it helped in preventing spurious seed in groundnut, Bengal gram and soyabean to a large extent.

Managing Director of Andhra Pradesh State Seed Development Corporation S. Balakrishna, Director of National Informatics Centre Rajesh Srivatsava, nodal officer of TSSOCA G. Sudarshan and others also attended the meeting.

Source: thehindu.com- May 07, 2019

HOME

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