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IBTEX No. 121 of 2018 June 12, 2018

USD 67.45| EUR 79.43 | GBP 90.15 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21800	45600	**86.26**

Domestic Futures Price (Ex. Gin), June

Rs./Bale	Rs./Candy	USD Cent/lb
22950	48006	**90.81**

International Futures Price

NY ICE USD Cents/lb (July 2018)	94.75
ZCE Cotton: Yuan/MT (Jan 2019)	17,725
ZCE Cotton: USD Cents/lb	**106.75**
Cotlook A Index – Physical	**97. 5**

Cotton guide: Cotton futures settled lower across the board on Monday. July settled at 9475, down 19 points. However, it first set a new contract high at 9650 (previous 9640) but ended the session lower. Likewise, December settled at 9168, down 92 points. The other months settled from 33 to 108 points lower.

On the trading front the volumes were higher around 61K contracts while the aggregate open interests were marginally lower. Total open interest was down 4,733 contracts to 317,362 contracts. Interestingly around three-fourths of the total volume was on spreads trading. Spread volume continues to be pumped up with the July liquidation. Today was day 3 of 5 for Goldman Sachs long-only funds to move long July into December. Certified stocks began Monday at 78,384 bales, up 7 bales in new certs. There were 2,893 bales awaiting review.

On the Asian front, China ZCE future inched marginally to post a positive close and the trading volume remained heavy for the 19th consecutive trading session. With the government measure, increased in margin the state run Chinese State Reserve cotton auction had a turnover rate of 39.0 percent. Offered were 30,011.999 tons (137,845 bales); and sold were 11,704.488 tons (53,759 bales).

The cumulative turnover rate is 64.46 percent (offered versus sold). This auction series started at 24.1 million bales and today there were 18.46 million bales remaining. For detailed report please get in touch with Kotak Commodities Research Desk.

Currency Guide:

Indian rupee depreciated by 0.05% to trade near 67.46 against the US dollar. The US dollar is choppy as market players await outcome of US-North Korea summit today, Fed decision tomorrow and ECB decision on Thursday. Choppiness in crude oil price has also affected rupee. Brent crude has turned choppy near $76 per barrel amid mixed cues from OPEC members about production hike.

Rupee may witness choppy trade as market players await more clarity on major events scheduled this week but some depreciation is possible as risk appetite remains weak. USDINR may trade in a range of 67.2-67.6 and bias may be on the upside. Focus today will also be on India's CPI and industrial production data.

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

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INTERNATIONAL NEWS

European Union Hits US With Sweeping Tariffs on Apparel and Footwear

The European Union has long been promising it would retaliate in the face of any punitive tariffs from the United States, and this week, that promise was kept.

Just after President Trump moved to eliminate an exemption on steel and aluminum tariffs for the Mexico, Canada and the EU, the European Commission endorsed a decision to impose additional duties on a long list of U.S. products—apparel and textiles included.

The EU's effort to "rebalance duties" comes in line with World Trade Organization (WTO) rules, according to the Commission, and as such, it will hit back with duties on 2.8 billion euros ($3.3 billion) worth of U.S. products, to start. In three years, if there hasn't been a positive finding to the EU's dispute settlement with the WTO over the U.S. tariffs, then an addition 3.6 billion euros ($4.2 billion) worth of goods will be targeted.

"This is a measured and proportionate response to the unilateral and illegal decision taken by the United States to impose tariffs on European steel and aluminium exports. What's more, the EU's reaction is fully in line with international trade law," EU commissioner for trade Cecilia Malmström said.

The long list of products to face new duties includes a substantial amount of apparel and footwear. And the new duties come in addition to whatever has already been in place.

For one, T-shirts made of cotton, wool or other textile materials, knitted or crocheted, will face 25 percent duties, meaning any EU importer hoping to bring in the product from the U.S., will have to pay 25 percent more for it—a fact that could substantially cut back U.S. exports to the EU.

Men's, boy's, women's and girl's cotton denim trousers and cotton shorts will be subject to 25 percent duties, as well men's or boy's synthetic trousers. U.S. cotton bedlinen will also cost 25 percent more to import into the EU. When it comes to shoes, men's footwear with leather outer soles and uppers will face the 25 percent tariff too.

Apart from apparel and footwear, an overwhelming majority of steel products will get the same 25 percent duty the U.S. has levied on steel imports from the EU, and corn, rice, peanut butter, bourbon and tobacco, will also get hit with the additional 25 percent tariff.

The new tariffs will take effect beginning in July.

Though the Commission has agreed to continue engaging with the U.S. on other trade-related matters, including trilateral talks with Japan, where tariffs are concerned, Malmström said, "We regret that the United States left us with no other option than to safeguard EU interests."

Source: sourcingjournal.com- June 09, 2018

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China: Exports to US, China declines, other Asian countries grow

China's exports to the U.S. of textiles and apparel may have plummeted by 10.9 percent to 2 billion square meter equivalents (SME) in April 2018.

But this hasn't stopped textile and apparel shipments to the U.S. from increasing by 1.1 percent in April to 4.99 billion (SME) compared to a year earlier, led by major increases from Pakistan, Bangladesh, South Korea, India and Cambodia, according to the Commerce Department's Office of Textiles & Apparel (OTEXA).

In dollar terms, China's exports to the U.S. in April fell 12 percent to $2.3 billion, as industry imports overall rose 3.9 percent to $8.02 billion.

Among the top 10 suppliers, imports from India rose 13.2 percent to $707.27 million, Pakistan's shipments increased 24.5 percent to $236.98 million, Bangladesh's grew 16.8 percent to $460.88 million, Vietnam's were up 6 percent to $978.22 million, South Korea's rose 6.8 percent to $73.54 million, Cambodia's increased 27.8 percent to $218.32 million and Indonesia's were up 11.3 percent to $426.48 million.

Source: fashionatingworld.com- June 12, 2018

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China increases estimate for 2018/19 cotton imports

China will import 1.4 million tonnes of cotton in the 2018/19 crop year, its agriculture ministry said on Tuesday, raising its forecast from last month's 1.2 million tonnes.

The higher estimate was due to a larger-than-expected production deficit, with Chinese consumption of the fibre growing 1.2 percent from the previous year's level to 8.4 million tonnes, it said.

But some traders said the forecast was still too low, with one estimating imports in the range of 1.5 million to 2.5 million tonnes. Agricultural commodities have been at the heart of festering trade frictions between China and the United States.

Meanwhile, the ministry repeated that domestic cotton output would fall 5.8 percent to 5.6 million tonnes due to a reduction in planting. "China's cotton production deficit next year is clear," the ministry said in a statement released with its monthly Chinese Agricultural Supply and Demand Estimates (CASDE).

The forecast comes as the global market waits for Beijing to issue additional import quotas to mills that will allow them to boost their purchases of overseas cotton. The ministry added that although storms and low temperatures had hit top growing region Xinjiang, overall the weather was normal, with yields expected to fall less than 1 percent.

Good weather in the northeast has also helped soybean crops, said the ministry, raising its estimate for output of the oilseed by 100,000 tonnes to 15.37 million tonnes.

In the southwestern Guangxi region, however, high temperatures and low rainfall in May hampered sugarcane growth, and many parts of Yunnan are also suffering from lower rainfall, the ministry said.

However, sugar output forecasts remained the same despite the weather.

Source: af.reuters.com- June 12, 2018

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ICAC warns of potential "quality gap" in cotton

The International Cotton Advisory Council (ICAC) reported that demand for cotton is on track to outpace supply for the 2018/19 cycle.

The 2017/18 season was the third consecutive for growth in world cotton demand, with production at an estimated 26.6 tons and world mill use projected at 25.5 million tons.

For the current season, decreasing stocks in China are being offset elsewhere. China's cotton stocks are projected down to 9 million tons, while cotton production outside of China is projected at up to 10.3 million tons – marking the fourth consecutive season-to-season increase. But there is a caveat.

"Along with weather issues in the Xinjiang region, which represents 75% of China's cotton area, and potential drought conditions in West Texas affecting 25% of the US crop, there may be concern of quality supply gaps which may affect next season's supply," the ICAC cautioned.

World cotton consumption is projected to increase to 26.7 million tons in 2018/19, while world cotton production is estimated at 25.7 million tons, the organization noted in its June report. Key takeaways:

- Production in China is projected to decrease to 5.6 million tons in 2018/19 based on reduced planting area, while consumption is forecasted to increase to 8.4 million tons.
- Reduced yields in 2017/18 in India are contributing to lowered planted area for 2018/19, with exports projected at 840,000 tons representing a 24% decrease from the previous season.
- Production in Brazil for the 2017/18 season is estimated to be 1.9 million tons, a 26% increase from 2016/17, with 900,000 tons projected for export.
- Production for the West Africa region in 2017/18 is projected at 1.2 million tons, representing a 13% growth from the previous season, with exports for the region expected at 1.04 million tons.

Source: hometextilestoday.com- June 11, 2018

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USA: M&S increases sustainable cotton sourcing

More than 70 per cent of the cotton being sourced for Marks & Spencer (M&S) products is now grown using more sustainable methods, says its annual progress report. This makes M&S one of the biggest users of more sustainably sourced cotton and has put it on track to meet its commitment to hit 100 per cent next year to improve people, planet and health.

83 per cent of M&S products now have an eco or ethical quality above the market norm and 30 million items of clothing reused or recycled with Oxfam, said its Plan A report. M&S uses around 50,000 tonnes of cotton a year. Unless it is grown sustainably, growers can use too much water in areas that are often short of water. They can also misuse pesticides and it can be hard for farmers to make enough money, the report stated.

"Across our business we're delivering better value for our customers, cutting prices and improving our products. Plan A plays a vital role in this transformation as Better Cotton equals better value because our customers care about where products come from and how they are produced. That's why customers are at the heart of Plan A and why we're helping to democratise sustainability by placing an eco or ethical quality into every product," Mike Barry, director of Plan A and sustainable business at M&S, said.

"Since joining Better Cotton Initiative (BCI) as a pioneer member in 2009, M&S has been committed to making more sustainable cotton, at scale, a reality. Their commitment is not only demonstrated in the increasing volumes of cotton they source as Better Cotton, but also in the time, energy and strategic input they invest in BCI's growth, across the various advisory capacities in which they have participated.

Critically, over the years, M&S has invested funds that directly benefit smallholder farmers through their membership of the Better Cotton Growth and Innovation Fund," Lena Staafgard, chief operating officer at BCI, said.

Source: fibre2fashion.com- June 11, 2018

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Cellulose fiber market in Asia-Pacific to cross $39bn by 2024

The Asia Pacific cellulose fiber market is anticipated to reach CAGR of 9.5 per cent over 2016-24.

Presence of a large number of textile industries in Asian countries along with high production of jute, cotton, and bamboo in India and China is likely to accelerate industry growth.

Advanced consumerism, rising fashion awareness and increasing disposable income among consumers are driving growth of the Cellulose Fiber Market.

Global textile and apparel market, which recorded over $1 trillion in 2015, is anticipated to boom with increasing GDPs of the emerging regions such as India, China, Brazil, and Africa.

Presence of numerous manufactures providing competitive prices in these demanding regions will further accelerate the growth of the cellulose fiber industry.

Source: fashionatingworld.com- June 11, 2018

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Bangladesh's Growth Tied to Improving Infrastructure and Expanding Export Base

A new assessment of Bangladesh's economy by the International Monetary Fund (IMF) contends that while the country is undergoing a transformation from a low-income to a middle-income economy, it needs to boost productive investment by addressing infrastructure bottlenecks, expanding export opportunities and strengthening the banking sector.

The IMF said the South Asian country continues to generate strong growth, projected at about 7 percent for 2018, driven by consumer spending and investment. Daisaku Kihara, IMF mission chief for Bangladesh, noted that poverty has declined steadily and other social indicators like gender disparity in education and maternal mortality have improved.

“Throughout this process, the country has diversified away from an agrarian to a more manufacturing-based economy with rapid growth in the ready-made garment (RMG) industry,” Kihara said in the IMF report. “With limited diversification, exports remain concentrated in the RMG sector. New products and growing sectors, such as footwear, leather and pharmaceuticals are showing potential for diversification, but the share of the low-skilled RMG sector in total exports remains high at around 80 percent.”

U.S. imports of Bangladesh textiles and apparel increased 20 percent to $221.3 million square meter equivalents in April compared to a year earlier. In dollar terms, Bangladesh’s industry shipments to the U.S. rose 16.8% to $460.88 million in the same period. Footwear imports to the U.S. were up 21 percent to $31.2 million in the first quarter compared to the same period in 2017.

Kihara said to create a more diversified manufacturing sector, the government should continue to invest in infrastructure and human capital, lower barriers for new businesses and review the existing tariff structure faced by the non-RMG sector, “with the objective of gradually reducing the effective tariff protection in the domestic market.”

The IMF’s report recommends boosting public investment to upgrade infrastructure such as roads and the electricity grid, and encourage more private sector activity that will lead to more job creation.

Kihara said tax revenues in Bangladesh are at 9 percent of gross domestic product (GDP), which he considers low, “and the country needs more revenues to finance infrastructure investment and social spending.” He noted that the average tax revenue to GDP ratio for non-resource rich, low-income countries is around 15 percent.

“Therefore, the priority is to implement the delayed value-added tax, preferably with a single rate, reaching a broad base to help raise much-needed revenue.” Kihara said. “Tax policy reform should also be supported by continued efforts to strengthen tax administration and improve tax compliance with online registration and filing of tax returns.”

The mission chief said a key problem in Bangladesh’s economic expansion is the struggling banking sector. This is especially true of their ability to extend credit at reasonably priced terms.

"This requires strong balance sheets and efficient operations," Kihara said. "In this respect, there is significant room for improvement, given that non-performing loans continue to increase, particularly in the state-owned commercial banks.

The health of the banking sector can be improved by strengthening banks' internal control and governance, expediting loan recovery procedures and improving creditors' rights with a more effective legal system."

Source: sourcingjournal.com- June 11, 2018

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Egypt: Cotton cultivation area increase to 321.8K: Minster

The total area of cotton cultivation this season increased by 100,000 feddans on a year-on-year basis, recording about 321,787 feddans, an official report showed.

The report revealed that Kafr el-Sheikh governorate came at the top of the governorates in terms of cultivating cotton with a land of 97,000 feddans, followed by Behaira by 56,657 feddans, Dakhalia by 51,352 and Sharkia by 48,349 feddans.

Al-Fayoum cultivated 16,162 feddans of cotton, and Gharbia cultivated 14,237 feddans, according to the report.

Minister of Agriculture and Land Reclamation Abdel Moneim el-Banna said that the Egyptian cotton's cultivation started to recover, referring that the minimum cultivated area, reached 130,000 feddans in 2016's season.

In 2016, the Ministry of Agriculture announced it has taken measures to support the domestic cotton sector and increase long-term productivity of the long-staple and medium-length cotton.

The exports of the Egyptian cotton amounted to $462 million in 2016, a report by ITC Trade showed.

Three new varieties of high-yield cotton crop have been registered to suit the local yarn industry and increase its yield by 10 quintals per feddan, Banna added.

According to Banna, a classification map for Egyptian cotton was also prepared and distributed in the governorates, showing the cultivated varieties in each governorate, their productivity, and a map of the cultivars and the approved varieties for each fork.

Trade and Industry Minister Tarek Kabil said in May that the government in Egypt is keen on upgrading the system of cotton cultivation and textile industry to better meet demands of the local market and enhance exports.

The Central Agency for Public Mobilization and Statistics (CAPMAS) said that Egyptian cotton exports (from December 2017 to February 2018) increased by 181.6 percent to reach 379,700 tons against 134,800 tons during the same quarter of the previous year.

In 2018, the ministry announced it will increase areas used for cotton cultivation to reach 216,000 feddans to meet increasing demand from foreign countries.

Source: egypttoday.com- June 10, 2018

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Indonesian ministry implements growth initiatives for fashion

The Ministry of Industry will support the Indonesian Fashion Designers Entrepreneurs Association (APPMI) to implement the Modest Fashion Project (MOFP) 2018.

The project is expected to stimulate young domestic designers to build startup in the national Muslim fashion industry. In addition, the design of the winners will be reproduced and marketed widely to improve the national economy.

In order to encourage young designers, Ministry of Industry has been running the program peningkatan competence of human data sources. In addition, it strengthens the structure of the national fashion industry.

In recent years, the fashion industry in the country has continued to show positive growth. This is indicated by an increase in export value performance and its contribution to national GDP.

Based on data from BPS, the value of national fashion exports in the period January-April 2018 reached USD 4.7 billion, an increase of 10 percent over the same period in 2017 of USD 4.2 billion.

Source: fashionatingworld.com- June 12, 2018

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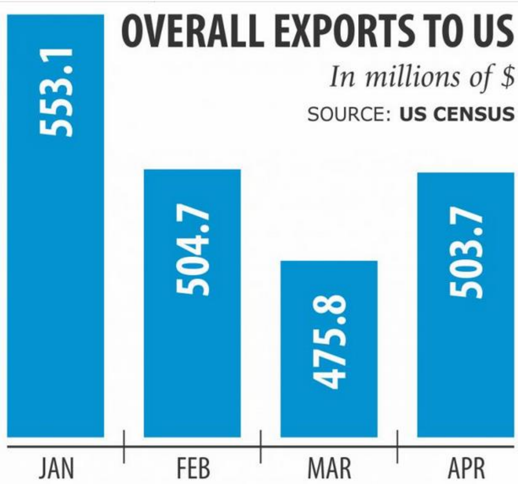
Bangladesh: Apparel exports to US rebound

Garment exports to the US grew 2.90 percent year-on-year to $1.87 billion in the first four months of the year as Bangladeshi manufacturers benefit from the Trump administration's abandonment of the Trans-Pacific Partnership.



The TPP was a sweeping trade pact between the US and 11 other countries -- Australia, Japan, New Zealand, Canada, Mexico, Singapore, Malaysia, Vietnam, Brunei, Chile and Peru -- representing about 40 percent of the world economy.

Before the US formally pulled out from the TPP in January last year, many American retailers were placing billions of dollars worth of work orders in Vietnam -- a major competitor of Bangladesh in global apparel trade -- hoping to enjoy zero-duty benefit under the mega trade deal.

Now, American retailers are slowly coming back to Bangladesh, said Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and

Exporters Association (BGMEA). “I hope Bangladesh will continue to receive those work orders.”

In the January-April period of 2018, Bangladesh was the sixth largest garment exporter to the US, according to data from the US Office of Textiles and Apparel.

The US is the single largest export destination for Bangladeshi exports, with 90 percent being garment items.

Another reason for the retailers' fresh patronage of Bangladesh's garment factories is the near-completion of remediation works by the Accord and Alliance, the foreign inspection agencies formed in the aftermath of the Rana Plaza collapse in 2013 to tangibly enhance workplace safety in the country's apparel factories.

“So, our image has brightened up a lot,” Rahman said, adding that the depreciation of taka against the greenback was another factor going in favour of the garment exporters. The garment makers now get Tk 84 for every US dollar, which was Tk 80 even a year earlier.

The rising export of value-added garment items was also another reason for the higher receipts in the first four months of 2018.

Last but not the least, American retail sales has started picking up from December last year, which also fuelled the increased work orders, Rahman added.

The failure of the other emerging garment-exporting nations like Cambodia and Ethiopia -- apart from Vietnam -- to successfully cater to the American retailers has sent the work orders flowing into Bangladesh again, said Kutubuddin Ahmed, chairman of Envoy Group, which exports nearly $150 million worth of garment items to the US in a year. This time, the local garment makers have been enjoying the benefit of shorter lead time as the sector's backward linkage integration has adequately been established, he said.

“This factor has also been helping Bangladesh to achieve higher exports, a benefit that the other emerging countries do not have.”

As a result, the 15.62 percent duty that apparel exports from Bangladesh are subjected to upon entry to the US is not working against Bangladesh's favour, he said.

As of April, China sent $10.92 billion worth of garment items to the US, which is the highest. It was followed by India ($2.67 billion), Vietnam ($3.99 billion) and Pakistan ($928 million).

Source: thedailystar.net- June 12, 2018

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Pakistan: Understanding Pakistan's boom-bust cycle

Historical data reveals that Pakistan's GDP exhibits booms followed by sharp busts. In a now-familiar pattern, periods of high economic growth (booms) have almost always led to a widening of the trade deficit and an increase in foreign liabilities.

A rapid dwindling of foreign exchange reserves simultaneously increases the probability of a balance of payment crisis. To prevent a full-blown currency crisis and regain macroeconomic stability, the central bank raises interest rates and seeks multilateral support to shore up its foreign exchange reserves.

While raising interest rates protects the currency, it curtails investment and raises debt obligations, especially those denominated in local currency. This has a contractionary effect on the economy, as it reduces both growth and employment, thereby prompting a period of low- high economic growth (bust). Multiple boom-bust cycles have been observed in each of the last six decades.

Recent data on Pakistan's current account reveals worryingly similar patterns. The trade deficit has widened considerably during a period where economic growth has averaged around the five per cent mark.

At the same time, gross external financing requirements have steadily increased to a projected $24.5 billion for fiscal year 2017-18 from $6.7n in 2011-12. Reserves have gradually depleted and now stand to cover less than three months worth of imports.

Does the current macroeconomic scenario indicate a high risk of a similar crisis? If so, what are the policy lessons to prevent such an episode from occurring in the future?

To analyse this issue, one needs to dig deeper into the current trade deficit. During the past five years, Pakistan's exports of raw cotton, cotton fabrics, cotton yarn and fabrics, woollen carpets and rugs, leather products, and rice have all declined significantly. These comprise more than half of the total export volume.

On the other hand, manufactured goods, chemicals and food imports have steadily risen up. Perhaps the most striking increase is observed in machinery and transport equipment imports, which has doubled in volume since 2011-2012.

The key argument often presented to defend the trade deficit rests in the fact that it may, at present, generate a current account deficit but promises to add to the industries' productive capacity and increase future exports. Thus, the present trade-deficit will be reversed when the economy's output capacity increases.

However, this argument rests on the rather strong assumption that the country possesses the ability to absorb its imports and produce goods that are export-oriented.

In this regard, Pakistan's export base is too narrow to fully reconcile the gains from importing the high-valued machinery — indeed, the export base needs to be sufficiently diverse in both its product variety and the ability to produce high value-added products that can generate current account surpluses and sustain economic growth.

This is further reinforced when looking at the type of goods that currently comprise the major bulk of the exports and which includes cotton, leather and rice. Apart from being low-value added, these goods have faced increasing global competition from countries such as Bangladesh, and suffered due to a fall in international demand, especially from European countries.

On the policy front, Pakistan's economy requires what Dani Rodrik, a professor at the John F. Kennedy School of Government at Harvard University, terms structural transformation, that is, a change in the pattern of what an economy produces, and in particular, what it exports.

To do so, the industry has to move up the value chain and increase both the complexity and the diversity of its products. This requires investment to replace outdated technology and boost labour productivity, integration into global-value chains as well as a continuous supply of a high skilled labour force of which a proportion engages in research and development.

In the recent decade, entrepreneurship has also offered an alternative mechanism which has unlimited transformational potential but requires mobilisation and stable government policy.

However, the unfavourable tax regime, the high cost of doing business, energy constraints, underdeveloped financial markets as well as weak infrastructure are all preventing Pakistan from fully utilising this capacity.

While CPEC should attend to the infrastructural and energy needs, policymakers need to embark on streamlining and reforming other binding constraints restricting the export potential.

Moreover, examples of previous successful structural reform programmes across countries seem to have almost always benefited from some demand-side impetus. On this front, there is little doubt that good macroeconomic policy such as prudent fiscal policy and appropriately managing exchange rates and interest rates play a major role.

With respect to fiscal space; it remains to be seen whether devaluation will reverse the trajectory of exports. It is no doubt, however, that without appropriate structural reforms, exchange rate devaluation may only bring temporary relief, but at the same time, threaten stability via increased import prices and inflationary pressures.

If the depreciation is complemented by targeted structural reforms, a sustained period of strong growth is more likely to follow.

Source: dawn.com - June 11, 2018

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Pakistan: The political economy of export packages

At the end of its tenure, the PML-Nawaz government extended the Prime Minister's Export Package for another three years. It also lifted the ban on sugar exports. How beneficial have these two decisions proved to be?

In January 2017, an export package worth Rs180 billion was unveiled for providing subsidies in the form of duty drawbacks to the five export-oriented sectors: textiles and clothing, carpets, medical and surgical equipment, sports goods, and leather.

The current decision not only extends the duration of the package but also provides coverage to some other sectors, such as light engineering goods, mechanical and electrical appliances, and fruits and vegetables.

The purpose is to add competitiveness to exports by bringing down the cost of doing business. In order to assess the impact of the package, we need to look at Pakistan's recent export performance. Since the package was announced in January 2017, analysis may be done on a financial year basis based on the Pakistan Bureau of Statistics data.

During ten months of the fiscal year 2018 (July-April), textiles and clothing exports grew 8.13 per cent to reach $11.13bn compared to $10.29bn over the corresponding period of fiscal year 2017.

Exports of readymade garments, knitwear, bedwear, fabrics, and yarn registered increases of 11.96pc, 14.65pc, 4.77pc, 83.09pc, and 7.2pc, respectively.

The reason behind these rises is the relatively high cotton prices, which have persisted in 2018 — between January and April 2018, the average international cotton price was $0.91 per pound.

However, during this period, the exports of carpets declined 5.18pc to $63.6m from $67.1m, while the exports of sports goods increased 7.29pc to $275.3m from $256.6m, exports of leather manufactures increased 6.78pc to $435m from $407.4m, and the exports of medical and surgical equipment increased 14.4pc to $318.m from $278.4m.

On the other hand, a faster export increase was registered in other sectors, such as sugar (309.4pc), vegetables (37.8pc), chemicals and pharmaceuticals (21.74pc), petroleum sector (128pc), engineering sector (11.78pc), fruits (4.74pc), and rice (24.77pc).

The phenomenal increase in sugar exports was underpinned by the generous subsidies granted by the government to sugar mills to overcome the vast difference between international and domestic sugar prices.

This brings us to the recent decision to make sugar freely exportable. Previously, exporting was prohibited to prevent the commodity's price from rising sharply in the domestic market. However, in the face of a glut, the government would lift the ban on sugar exports occasionally to prevent its price from falling drastically.

The exorbitantly high domestic prices for sugar relative to international prices made the commodity uncompetitive. For instance, in 2017, the average world and domestic sugar prices were $383 and $480 per tonne, respectively. As a result, the government had to provide a subsidy of Rs10.7 per kilogramme to sugar mills to enable them to export 2m tonnes of sugar in 2017.

The total subsidy amount was in excess of Rs 21bn, which is equivalent to $200m (at the exchange rate of 105). In 2017, sugar exports increased to $161.3m from $132.3m in 2016. Thus, the increase in sugar exports was almost equal to the subsidy granted.

Although the sugar exports went up substantially in 2017, it was at the expense of taxpayers' hard-earned money. The major reason for the price differential is sugarcane support prices set by the government, which distort the market and harm consumers, who not only have to buy expensive sugar but also subsidise sugar exports.

Instead of reforming the price support system so as to make it less distortive, the government has lifted the ban on sugar exports. However, it is certain that in view of the enormous price differential, sugar millers, an exceedingly powerful lobby, will not be able to export without state subsidies.

This is surely not a desirable way to enhance exports. Export subsidies are also forbidden by the World Trade Organisation rules. Continuous subsidisation of businesses, whether it

takes the form of revenue forgone or direct cash transfers, perpetuates lack of competitiveness and other structural constraints to export growth.

A better option would be to allocate funds for increasing the productivity of the workforce, which holds the key to competitiveness. If subsidies have to be provided, the purpose should be to encourage innovation or at least product upgradation and quality improvement.

Source: dawn.com- June 11, 2018

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NATIONAL NEWS

Exim Bank expects India's merchandise exports to grow at 10.6% in Q1

It said that based on its internal Export Leading Index Model, India's total merchandise export is expected to witness a growth rate of 10.6 per cent and non-oil exports at 6 per cent in the June quarter, over the year ago period.

Exim Bank sees India's merchandise exports growing 10.6 percent in the first quarter of the current financial year, 2018-19.

The total merchandise exports during the April-June quarter of last fiscal, 2017-18, stood at USD 71,535.70 million, said the Export-Import Bank of India.

It said that based on its internal Export Leading Index Model, India's total merchandise export is expected to witness a growth rate of 10.6 percent and non-oil exports at 6 percent in the June quarter, over the year ago period.

The non-oil exports in the year-ago period were at USD 64,100 million.

Exim Bank said has developed an in-house model, based on continued research initiatives, to generate an Export Leading Index (ELI) for India to track and forecast the movement in India's exports on a quarterly basis.

The ELI gauges the outlook for the country's exports and is essentially developed as a leading indicator to forecast growth in total merchandise and non-oil exports of the country, on a quarterly basis, based on several external and domestic factors that could impact exports of the country.

Source: moneycontrol.com- June 12, 2018

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Rising cotton price worries yarn makers

According to industry sources cotton stocks with small and medium-scale mills would be low. Internationally, China was said to be importing large quantities. Those who were buying for daily needs might be affected.

The mills that had covered cotton at the beginning of the season would benefit now. The mills fear that as the season comes to an end, the prices might go up further. Since cotton is the main raw material, the entire textile value chain will be affected.

The recent increase in cotton prices is coming out as an issue of concern to the textile industry who is the main consumer of cotton. Rates may remain high next season also on China imports.

S.K. Rangarajan, president of the South India Spinners' Association, said that yarn prices had gone up for some varieties. He quoted that, "The market might not absorb any further increase in yarn price," he added. Apart from price, the mills also faced quality issues in domestic cotton this year.

Further, the industry fears that prices might remain high next season as well as China was importing cotton.

According to textile mills, the higher cotton prices reflected on yarn prices. For, some yarn varieties, the prices had gone up by 15 %.

The price of Shankar 6 variety of cotton was Rs. 43,000 a candy a month ago, now it is almost Rs. 46,000 a candy.

Source: yarnsandfibers.com- June 11, 2018

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The textile industry on expansion mode

Currently estimated at $110 billion, the Indian textile industry is likely to grow to $250 billion in the next two years. The country currently exports textiles worth $40 billion every year.

The last two years have witnessed a new surge of optimism in the textile sector as the centre has announced capital investment subsidy in segments such as garment, weaving and technical textile to help the sector. Rebate on state levies have been introduced to promote exports and additional 10 per cent subsidy on made ups and garment segments, leading to home textile industry getting a 25 per cent capital investment subsidy on new machines.

Textile companies across India are expanding their operations by entering into knitted fabric, or diversifying into denim fabric segment or into allied categories. Others are enjoying good export growth, not impacted by Indian market conditions. Few others are creating a niche with their focused products or target market. The growing demand of polyester is another big reason behind this expansion. A look at some of these ongoing expansion plans of the companies:

Sintex Group: The Sintex Group is globally recognised manufacturer of structured fabrics for high-end fashion shirting. The group's fibre-to-fabric facility at Kalol is one of the largest weaving units in India. It is setting up one of India's largest compact yarn facilities with one million spindles, to be commissioned in a phased manner. The group commenced operations of Phase I comprising 3.06 lakh spindles spinning superior quality compact yarn for weaving and knitting operations during 2016-17.

Morarjee Textiles Ltd: Morarjee Mills has undertaken a backward integration project to integrate the manufacturing processes and reduce dependence on vendors of yarn and weaved fabric.The expansion project comprises expansion of the spinning facility by 40,128 spindles, weaving capacity increased by 112 looms, printing capacity enhanced by 78 lakh meters per annum, and installation of 'Ready for Dyeing' (RFD) machinery.

Nitin Spinners Ltd: Nitin Spinners is one of the leading producers of 100% cotton yarn and knitted fabrics at its plants at Hamirgarh in the Bhilwara district of Rajasthan. The company is setting up an integrated textiles unit with facilities from spinning to processing as a greenfield project.

The unit will have the capability to manufacture all types of processed fabrics to meet the complete requirements of apparel manufacturers.

Sutlej Textiles and Industries: Sutlej Textiles and Industries is setting up a greenfield project to manufacture polyester staple fibre by recycling of pet bottles at Samba in Jammu & Kashmir. The company is setting up a recycled PSF plant of 80 MT/day capacity with product range of raw white recycle fibre & black recycle fibre. The project costing Rs. 110 crores is expected to be completed by the second quarter of 2020.

Sutlej has also invested around Rs. 51 crores in the first nine months of 2018-19 towards technology upgradation and debottlenecking. This will result in further improvement in efficiency and sustaining plant utilization.

Source: fashionatingworld.com- June 11, 2018

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Govt working on road map to accelerate exports

In a bid to accelerate exports and to remove the hurdles faced by the industries and exporters, the Bengal government is working towards the formulation of a comprehensive road map, which will not only ease out the process but also contribute towards the economic growth of the state.

State Industry, Commerce & Enterprise minister Amit Mitra will chair a high level meeting with the industrialists and all the stakeholders better platform and chalk out a road map so that the state's export policy gets a further impetus.

The export commissioner office of the West Bengal Industrial Development Corporation (WBIDC) will organise the programme to work on the identified growth sectors and towards the promotion of various products from the state in the international arena.

Mitra will hold the meeting to take stock of the steps that need to be taken to achieve the target.

When contacted, Vandana Yadav, Managing Director, WBIDC, said that the focus areas would be the sectors like textile and garments, metal and metallurgy, gems and jewellery, food processing, handloom and handicraft. Identifying the needs of the industries and issues relating to the exports would also be looked into.

Exporters from Bengal will also get a platform to articulate the problems they might have been facing and get speedy remedies. The government will also listen to the needs of the industrialists and will also assess which areas need to be worked on, to scale up the export growth.

According to sources, one of the major problems for the exporters in the state is the lack of a certifying agency. All sorts of goods that are exported abroad need to undergo clearance from the certifying agencies. As there is no city-based certifying agency, the products have to be delivered to other cities for certification. Most of the certifying agencies are based in Mumbai and North Indian cities.

As a result of this, exporters from the state face difficulties. It has been learnt that the state government might take up the issue with the Centre in this regard. For example, for food processing industries, there should be a testing lab. Otherwise, it becomes a lengthy process to get the tests done from outside. Scope of setting up a testing lab may also be discussed during the meeting.

Exploring the potential markets in the case of textile and garments, gems and jewellery and others would also be worked on. According to a senior government official, the move will not only help the state's economy, but also create demands of various products in the international market.

"The government has already come up with an export strategy and now it is the time for preparing a road map to iron out the problems the exporters might have been facing," the official said. It may be mentioned here that after coming to power, the Mamata Banerjee government has made significant improvement in the building of infrastructure and the state has been poised for a big spurt in export.

Various sectors like micro, small and medium enterprises & textiles, leather, IT, food processing, horticulture and floriculture and energy have seen an unprecedented growth.

Source: millenniumpost.in- June 11, 2018

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Cotton prices to trade sideways to higher: Angel Commodities

According to Angel Commodities, MCX June Cotton edged lower on Monday tracking fall in international prices and technical selling at higher levels.

Angel Commodities' report on Cotton

MCX June Cotton edged lower on Monday tracking fall in international prices and technical selling at higher levels. Currently, cotton is trading at 22 months highs in the domestic market as Miller and traders are stocking up cotton for the lean season.

Moreover, good export demand from China is also fueling the prices. China buys 500,000 bales of new cotton crop from India to be shipped to China in Nov - Dec.

Till last week, India kharif cotton acreage is 18% lower at 9.96 lakh ha vs 12.18 lakh ha year ago.

India's cotton exports are seen rising around 21% on year to 75 lakh bales (1 bale = 170 kg), backed by depreciation in the rupee and higher international prices of the commodity.

Outlook

Cotton futures are expected trade sideways to higher on report of good physical and export demand, higher exports, diminishing arrivals and expectation of lower sowing expectation in coming season may keep the prices supported.

Source: moneycontrol.com- June 12, 2018

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Chennai Customs asks exporters to resolve any errors to receive pending GST refunds

Chennai Customs urged exporters to resolve any errors so that their legitimate pending refunds can be processed within a fortnight. The major error is mainly due to mismatch in numbers provided in the invoice and GST returns, said a senior department official

Exporters can walk in with relevant documents or can also mail on igstcusChennai@gmail.com (for sea Customs), pcommr7acccuschn@gov.in (for air Customs) so that officers can resolve the errors on the spot for immediate credit of pending refunds, said M Ajit Kumar, Chief Commissioner of Customs, Chennai.

In the last 11 days of the special refund drive, out of the total ₹1,314 crore, an amount of ₹527 crore has been sanctioned by the department. Out of the remaining ₹787 crore, only ₹60 crore is pending with the Customs and the balance ₹727 crore is pending on account of non-transmission of data from the GST Network.

From the introduction of GST on July 1 2017 till June 10, 2018, an amount of ₹3,076 crore has been sanctioned out of the total ₹3,863 crore. This includes ₹727 crore yet to be sanctioned by the GSTN.

In other words, 98 per cent performance in sanction of IGST refund claims has been achieved by Chennai Customs, he told newspersons.

CP Rao, Principal Chief Commissioner of GST and Central Excise, Tamil Nadu Puducherry Zone said a similar refund drive was conducted in March for wiping off the pendency and a total of 1,221 claims involving an amount of ₹670 crore were sanctioned.

Source: thehindubusinessline.com- June 12, 2018

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Exporters get GST refund through special drive

The customs preventive zone, Trichy has settled integrated goods and services tax (IGST) of Rs 143.86 crore and remission of state levies (RoSL) rebate of Rs 34.41 crore to the exporters in nine days, stated chief commissioner of customs (preventive), Trichy, Ranjan Kumar Routray said here on Monday.

Routray was addressing reporters regarding the special drive, 'IGST exports refund fortnight', which is being organised by the Customs Preventive Zone, Trichy, to liquidate pending IGST/ drawback/ RoSL claims.

The zone comprises two commissionerates: customs commissionerate, Trichy and custom house, Tuticorin. The drive, which began on May 31 will get over on July 14.

"If the exporters, especially small and medium entrepreneurs are not given their export refunds/ incentives in time, that would put them in financial trouble.

Hence, the utmost emphasis is provided to time bound disposal of IGST, drawback and RoSL claims," Routray said.

He also said that since GST is a relatively new concept – and is completely digital – the customs office has been conducting workshops for the exporters regarding the taxation system.

"We have already conducted few seminars and workshops for the exporters and in the future, we would conduct more such programmes so that the exporters get more familiarised with it," he said.

Routray also stated that the start of courier operation from Trichy International Airport "could be expected before the end of July."

Source: timesofindia.com- June 12, 2018

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