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IBTEX No. 124 of 2018 June 15, 2018

USD 67.93| EUR 78.63 | GBP 90.04 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22087	46200	**87.31**

Domestic Futures Price (Ex. Gin), June

Rs./Bale	Rs./Candy	USD Cent/lb
23120	48362	**91.40**

International Futures Price

NY ICE USD Cents/lb (July 2018)	93.41
ZCE Cotton: Yuan/MT (Jan 2019)	17,875
ZCE Cotton: USD Cents/lb	**107.64**
Cotlook A Index – Physical	**99**

Cotton guide: Cotton future in ICE this morning while writing the report on 15th June is seen trading down by 1.22% for July while the December has declined over 2%. The both the contracts are trading at 92.20 and 90.95 cents per pound respectively.

The ZCE cotton future is also seen trading down at 17660 Yuan/MT. The across agriculture commodities are seen trading lower along with few non-agriculture commodities into red. We think the major reason for drop in price is the sudden spurt in the USD index. The USD index has moved from 93.13 to 95 cents in a single trading session.

Coming to cotton specific update the spread between July and December has narrowed down to 0.27 cents which by now has again widened to 1.20 cents. This has happened majorly because good amount of selling witnessed in December.

With the dollar performance and other markets being in red the December has been mostly hit as maximum trading volume and open interests are in this contract on Ice platform. Also today is the last day of option expiry (the June contract) underlying asset being the July future. The squaring off positions, rollovers and speculative activities has brought down cotton future at ICE so much down.

Currency Guide:

Indian rupee has depreciated by 0.4% today to trade near 67.92 levels against the US dollar. The US dollar has rallied sharply against major currencies as Fed indicated possibility of two more rate hikes this year. Euro came under pressure as ECB's maintained dovish tone on rate hikes despite announcing an end of its bond purchase program.

Also weighing on rupee is choppiness in crude oil price. Brent crude hovers near $75 per barrel amid supply worries relating to Libya and mixed signals from OPEC members on production.

Risk sentiment is also weak amid expectations that US may announce import tariffs on about $50 billion worth of Chinese goods. Rupee may remain under pressure on Fed's hawkish tone and weaker risk sentiment. USDINR may trade in a range of 67.65-68.15.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Donald Trump Approves Tariffs on About $50 Billion of Chinese Goods

USTR to announce products subject to tariffs on Friday; China has said it would retaliate

President Donald Trump approved tariffs on about $50 billion of Chinese goods, people familiar with the decision said, as the U.S. ratchets up its trade fight with Beijing over China's alleged pressure on U.S. firms to transfer technology to Chinese partners.

The approval followed a 90-minute meeting on Thursday of senior White House officials, national-security officials and senior representatives of the Treasury, Commerce Department, U.S. Trade Representative's Office.

It wasn't clear when the tariffs would go into effect. Beijing has said that it intends to assess tariffs on a corresponding amount of U.S. goods.

USTR expects to announce the goods subject to tariffs on Friday and publish them in the Federal Register next week, the people familiar with the matter said. The affected imports would face 25% tariffs; the products are expected to be similar to those on a preliminary list that USTR released in early April.

The office has held public hearings on the list of 1,300 categories of products to see whether duties on any of the goods it selected would unduly harm U.S. consumers and businesses. USTR is expected to cut some of the products from the list and add others, especially high-tech items, the people familiar with the matter said.

The U.S. decision could become the start of a tit-for-tat series of retaliatory moves. If the U.S. hits China with tariffs, China will immediately retaliate with tariffs, said a Chinese official. "We hate unilateral actions," the official said.

Beijing has already said it had prepared its own $50 billion list of U.S. goods that it would subject to tariffs, especially aircraft and soybeans.

After Beijing made that threat, President Trump upped the ante and said the U.S. would add another $100 billion of goods to the U.S.'s tariff list. The U.S. hasn't followed up on that threat by enumerating what goods would be included in that batch.

On Thursday, Chinese Foreign Minister Wang Yi said China and the U.S. faced a choice between cooperation and mutual benefit on the one side and confrontation and mutual loss on the other.

"China chooses the first," Mr. Wang told a joint news conference, after talks with U.S. Secretary of State Mike Pompeo in Beijing.

"We hope the U.S. side can also make the same wise choice," Mr. Wang said. "Of course, we have also made preparations to respond to the second kind of choice."

As word filtered through Washington that Mr. Trump was about to make a decision on tariffs, some trade hawks offered qualified support for the president. Rep. Rosa DeLauro (D., Conn.), a longtime opponent of free-trade deals, said "tariffs must be seen as one tool among many our country can use to hold bad actors like China accountable and to bring the Chinese government to the table to secure a more favorable balance of trade."

But Ms. DeLauro added that Mr. Trump must come up with a "comprehensive strategy" for dealing with Beijing.

The conservative Tax Foundation calculated that the tariffs on Chinese imports, coming on top of U.S. tariffs on steel and aluminum exports, would lower "long-run" gross domestic product and wages by 0.06%, reduce employment by 45,293 positions and make U.S. taxes less progressive.

Source: wsj.com- June 14, 2018

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What tariffs? How open is America?

Not as much as President Donald Trump thinks

"JUSTIN has agreed to cut all tariffs and all trade barriers between Canada and the United States," claimed President Donald Trump to laughter on June 8th, at the G7 summit in Quebec. The next day, in apparent seriousness, Mr Trump—who has slapped tariffs and quotas on imports of aluminium and steel from all the G7 countries, and others—called for unfettered trade within the group: "No tariffs, no barriers. That's the way it should be."

Over the next two days a more familiar Mr Trump reappeared. After Mr Trudeau said, at a post-summit press conference, that Canada would not be pushed around, he fired off a barrage of tweets calling him "very dishonest & weak". He blasted Europe too. And he tweeted: "Sorry, we cannot let our friends, or enemies, take advantage of us on Trade anymore."

Suspend disbelief and suppose that Mr Trump's offer of a barrier-free world is serious. He may want to tear down tariffs and quotas out of a yearning for open markets and lower prices for consumers. More likely, he reckons that the status quo is unfair because America is more open than any other rich country. In a free-trading world, other countries would have to lower their barriers by more than America would. Is he right? Reality is a little more complicated than he may suppose.

Mr Trump is fond of picking out his trading partners' egregiously high tariffs. In his Twitter tirade he slammed Canada's 270% levy on dairy products (which applies after quotas with much lower tariffs have been filled). He despises the European Union's 10% tariff on cars. But others can play that game too. Once quotas are filled, shelled peanuts going into America face a tariff of 132%, and raw tobacco duties of 350%. EU negotiators note that America applies a 14% levy on incoming train carriages.

Averages are generally more instructive than anecdotes. According to the World Trade Organisation (WTO), on a trade-weighted basis in 2015 America's tariffs averaged 2.4%, slightly higher than Japan's at 2.1%, but a bit lower than Canada's at 3.1% and the EU's at 3.0%. Even these figures should be treated with caution.

America allows in more products tariff-free than the EU, for example, but the duties it does charge are higher. And trade-weighted averages can mislead, because goods with crushingly high tariffs will naturally have lower weights.

To Mr Trump, who prefers one-on-one deals to multilateral rules, bilateral figures may mean more than averages. Some of America's highest tariffs are on products it buys relatively little of from the EU. Textiles, apparel, footwear and travel goods accounted for 6% of American imports in 2017, but 51% of tariff revenue, mostly paid on stuff from Asia. According to WTO data, American tariffs on agricultural products imported from the EU, Canada and Japan are lower than on those flowing the other way. But the picture is different for other goods (see chart).

Economist.com

All these figures describe the tariffs trade negotiators usually haggle over. But they leave some things out, like defensive duties against imports that are subsidised or sold below cost. America is a heavy user of both. It applies far more than the EU, Canada or Japan. Its trading partners sometimes object that it breaks its WTO commitments in the process. In December Canada filed one such complaint.

Overall, however, rich-world tariffs are generally low already. Other distortions are more pernicious. Agricultural subsidies are one example. According to the OECD, in 2014-16 the gap between producer prices and world market prices for agricultural goods in America was smaller—ie, less distortionary—than in the EU, Canada and Japan. (Overall, China doles out more support than those three.)

Other non-tariff barriers include the "Buy American" rules that favour American suppliers for public procurement, and complex labelling requirements. Not all barriers have protectionist intent; other countries have plenty of them, too. Their effects are tricky to quantify, but trade geeks think they crimp commerce among rich countries more than tariffs do.

Finally, there are barriers to trade in services as well as goods. These include rules obliging foreign insurers in New York to hold more capital than domestic ones, or laws like the Jones Act, which says that boats travelling between American ports must be made in America, carry the American flag and be owned and operated by American citizens.

Of 22 sectors measured in 44 countries in the OECD's Services Trade Restrictiveness Index, America had seven that were more restrictive than average. Italy was the only country in the G7 with more. None of this, of course, means that America is a closed economy. But if the president were serious about creating a barrier-free G7, every member would have work to do—and America more than he seems to imagine.

Source: economist.com- June 14, 2018

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IMF Warns US Tariffs Could Prove "Counterproductive" to Global Trade

Though the International Monetary Fund's current outlook for the U.S. economy is bright, the organization warned that looming tariffs and their countermeasures could pose significant risks to the global economy.

In a statement Thursday, IMF director Christine Lagarde said unilateral trade actions aren't only disruptive, but they can prove counterproductive to the global economy and global trade as a whole.

"In a so-called trade war, driven by reciprocal increases of import tariffs, nobody wins. One generally finds losers on both sides," Lagarde said. "Also, let us not underestimate the macroeconomic impact. It would be serious, not only if the United States took action, but especially if other countries were to retaliate, notably those who would be most affected, such as Canada, Europe, and Germany, in particular."

Each, and including Mexico, has already promised to retaliate with tariffs of their own in light of the United States' actions.

Canada and the U.S. are caught in the fray of a spat between President Trump and Canadian prime minister Justin Trudeau over actions on trade, and Trudeau has been firm in his position that Canada will impose equivalent tariffs to what the U.S. has outlined for steel and aluminum, and that these countermeasures would take effect from July 1. The European Union has said much the same, detailing duties on $3.3 billion worth of U.S. products, including T-shirts, jeans and cotton bed linen.

The actions and reactions, apart from damaging long-standing relations, could incite a global trade war where consumers come out the biggest losers and no economy will likely emerge unscathed.

Though the IMF opened the trade policy section of its newly released review of U.S. economic policy by saying the U.S. "maintains a very open trade regime," the report continued to note "public concern" related to the side-effects of that openness has increased, but the measures to address them may only serve to fuel risks.

"These measures," the IMF report noted, "Are likely to move the globe further away from an open, fair and rules-based trade system, with adverse effects for both the U.S. economy and for trading partners."

The risks, it said, include catalyzing retaliatory responses (which it has), paving the way for more countries to turn to national security motivations as a means to justify import restrictions, impacting emerging and developing economies through commodity price volatility, and upsetting global and regional supply chains "in ways that are likely to be damaging to a range of countries, and to U.S. multinational companies, that are reliant on these supply chains."

As such, the IMF has urged the U.S. to talk it out with its trading partners without using tariffs as a tactic.

Tariffs aside, Lagarde said in addressing the near-term economic outlook, that the U.S. economy "is doing even better than last year," with stronger growth, contained inflation, high consumer and business confidence and unemployment near the lowest it's been since the '60s.

"Within the next few years, the U.S. economy is expected to enter its longest expansion in recorded history. The Tax Cuts and Jobs Act and the approved increase in spending are providing a significant boost to the economy," Lagarde said. "We forecast growth of close to 3 percent this year but falling from that level over the medium-term."

Source: sourcingjournal.com- June 14, 2018

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Marks & Spencer Moves Closer to Meeting 100% Sustainable Cotton Goal

Marks & Spencer is inching closer to its goal of sourcing 100 percent of its cotton from sustainable sources by 2019.

The British department store now procures 77 percent of its cotton from Better Cotton Initiative (BCI), Fairtrade, organic or recycled origins, according to its 2018 "Plan A" corporate social responsibility report, which noted a significant uptick from last year's 49 percent.

Besides using less water and fewer chemicals than conventional cotton, programs like BCI and Fairtrade say they also help promote decent work and fairer pay for smallholder cotton farmers, ginners and spinners.

Marks & Spencer uses around 50,000 tons of cotton a year, the company said. Other wins highlighted in the report include the range of selvedge denim Marks & Spencer produced from BCI cotton, recycled thread, recycled zipper tape and biodegradable leather patches in August.

The jeans scored 21 on the Jeanologia Environmental Impact Measurement, which classifies anything that rates 33 or under as "low impact." "These are probably the most sustainable items of clothing that M&S has ever sold," the retailer said.

Plan A is what Marks & Spencer has christened its evolving social and environmental roadmap, "because there is no Plan B." Now that its original slate of commitments for 2020 is winding up, the company says it's "rebooting" its ambitions for 2025 with "even greater urgency."

“We believe there is an untapped need in society for businesses to do more than merely reassure in a distant paternalistic way,” said Steve Rowe, CEO of Marks & Spencer, in a statement accompanying the report. “It is no longer enough for a company to hope or assume it is trusted, it must offer society a clear, measurable ‘social dividend’ to earn and retain people’s trust.”

To that end, Marks & Spencer says it’s upping the stakes for its cotton procurement by increasing the proportion of Fairtrade, organic and recycled origins to 25 percent by 2025. The retailer also plans to boost its transparency by translating data about raw material sources to “on product” information that can help guide their customers’ purchasing decisions.

At the same time, Marks & Spencer says it wants 100 percent of its factories, such as those that make garments, to be on a “sustainability ladder,” with 50 percent of its products achieving its highest Gold Standard.

“By 2025, every factory producing products for us will be systemically improving its environmental and ethical performance,” it said in the report.

Source: sourcingjournal.com- June 14, 2018

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Sub-Saharan Africa exports apparels worth $377.37 mn to the US

Apparel exports from Sub-Saharan African nations have grown significantly over years. The 50-nation bloc exported apparels worth $377.37 million to the US in January-April 2018 period, marking a solid growth of 23.22 per cent on the yearly note and successfully capitalised on the African Growth and Opportunity Act (AGOA). Ethiopia, for instance, has grown from $13.41 million to $30.39 million with a staggering surge of 126.63 per cent during the period.

Kenya exported apparels worth $120.67 million in the first four months of 2018 as against $101.66 million in the corresponding period of prior-year.

The country grew by 18.70 per cent in just one year which is more than just a decent growth.

The ‘buzz’ around Ethiopian apparel exports isn’t that real, which earned $98.60 million from its export of apparel to the US, posted a noteworthy increase of 19.88 per cent on the year-on-year basis.

Apparel exports from Madagascar to the US were $59.10 million in the period with a whopping 25.73 per cent rise over last year.

Mauritius posted 10.48 per cent growth to reach $48.19 million in apparel export values in Jan.-Apr. ’18 from $43.62 million in the same period of 2017.

Source: fashionatingworld.com- June 14, 2018

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Decrease in yarn and fabric production in Q4/17: ITMF

The International Textile Manufacturers Federation (ITMF) is an international forum for the world's textile industries, dedicated to keeping the world-wide membership constantly informed through surveys, studies and publications, participating in the evolution of the industry's value chain and through the organisation of annual conferences as well as publishing considered opinions on future trends and international developments.

The ITMF recently published its State of Trade report for the fourth quarter of 2017. As per the report, global yarn production decreased by 23 per cent between the third and fourth quarter of 2017. Output reductions in Brazil by 23 per cent, Asia by 14 per cent, and the U.S.A. by 4 per cent balanced out the increase in Africa by 12 per cent and Europe by 15per cent.
Stable stocks

All surveyed countries, apart from Brazil and Germany, expect a decrease in yarn output in the first quarter of 2018. Global yarn stocks were stable between the third and fourth quarter of 2017. A reduction in Brazil of 11 per cent, Egypt of 9 per cent, and Europe 4 per cent was cancelled out by a 3 per cent increase in Asia. Altogether, yarn stocks reached 96 per cent of their previous year level for the same quarter. Yarn orders increased on average between the third and fourth quarter of 2017. The order contraction in Korea Rep. has been compensated by positive trends in the other reporting countries.

Decrease in global index

The global fabric production decreased from third quarter by 2 per cent. A respective 12 per cent and 2 per cent contraction in Brazil and Asia drove the world average in the negative range. Fabric output, however, increased by 6 per cent and 10 per cent in Africa and Europe respectively. The world output level reached 95 per cent of its Q4/16 level. Europe and Brazil are expected to increase production in the first quarter of 2018.

In the fourth quarter of 2017, the global fabric stock level slightly grew by 3 per cent. This increase was driven by Brazil, and elevated the index of fabrics stocks by 3 per cent above the fourth quarter of 2016. In 2017, stocks have been stable in Asia and the U.S.A. They increased steadily in Europe and Brazil and constantly decreased in Egypt. On an average, fabric orders declined by 23 per cent between the third and fourth quarter of 2017 in the countries under review. The growth of 11 per cent and 2 per cent in Egypt and Europe was not sufficient to compensate for the reductions of 31 per cent in Brazil. The global index for fabric orders decreased by 3 per cent since the fourth quarter of 2016.

Source: fashionatingworld.com- June 14, 2018

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Vietnam: Garment & textile sector, magnet for foreign investors

More than 2,000 foreign businesses from 16 countries and territories worldwide have invested some 15.75 trillion USD in Vietnam's garment and textile sector so far, according to Chairman of the Vietnam Textile and Apparel Association (VITAS) Vu Duc Giang.

The Republic of Korea is the largest investor with total investment exceeding 4.4 billion USD, followed by Taiwan (China) with 2.5 billion USD, Hong Kong (China) with 2.1 billion USD, and Japan with 789 million USD.

Earlier this year, Japan's ITOCHU Corporation splashed out 47 million USD on purchasing an additional 10 percent of the Vietnam National Textile and Garment Group (Vinatex).

The purchase raised ITOCHU's stake in Vinatex to 15 percent, making it the second-largest stakeholder after the Ministry of Industry and Trade.

Vinatex operates 200 member enterprises nationwide and is exporting various kinds of products with high added value. ITOCHU's deeper engagement in the Vietnamese group will bolster Vinatex's export revenue, including revenue gained in Japan.

Notably, the garment and textile sector has lured many large scale foreign direct investment projects, including the 80-million USD Nam Dinh Ramatex Textile and Garment Factory by Singapore, and 80-million USD Ha Nam YKK Factory specialised in producing zippers and other materials for the garment industry.

Giang said that low labour costs coupled with free trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), have made the Vietnamese garment and textile sector alluring to foreign investors.

Once the CPTPP takes effect, Vietnam can increase shipments to CPTPP member countries, which spend up to 40 billion USD on garment and textile products every year.

However, to attract more foreign investment, the Government and the Ministry of Industry and Trade should devise stable policies, and pen a strategy for the garment and textile, with the construction of industrial parks meeting international standards on wastewater treatment key, he underlined.

Source: vietnamnet.vn- June 14, 2018

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Malaysia wants TPP reworked

Malaysia wants the Trans-Pacific Partnership to be renegotiated and has urged protection for small countries in international trade. Eleven countries circling the Pacific signed a slimmed-down version of the TPP in March, opting to proceed with the deal after it was left for dead when the US pulled out.

Malaysia's ideal is a broad trade pact such as the East Asian Economic Caucus. Signatories to the TPP represent 13.5 per cent of the global economy and a market of 500 million people.

The deal was pushed by the US in part as a way to counter growing Chinese commercial power. It cuts tariffs and requires members to comply with a high level of regulatory standards in areas like labor law and environmental protection.

Malaysia does not want to be manipulated by the big players in the TPP. Its call to review the TPP agreement would be a blow for the eleven-member trade pact, which was finalized after tough negotiations earlier this year following the withdrawal of one of the original signatories, the United States.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership, as it is now called following the US withdrawal, will reduce tariffs in countries that together amount to more than 13 per cent of the global economy.

With the United States, it would have represented 40 per cent.

Source: fashionatingworld.com- June 14, 2018

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Netherlands: Apparel market growing at 2-3% since 2008 economic crisis

The global apparel market has been experiencing a slowdown in growth to some 2-3 per cent per year, since 2009, as a result of the economic crisis that started in 2008. In the past few years, it has worked under volatile global macro-economic conditions. The fashion market has become a very competitive market with high pressure on margins.

"There are also positive signs. In its latest World Economic Outlook, the International Monetary Fund (IMF) indicates that the growth of the world economy in 2018 and 2019 will be 3.9 per cent on an average.

Economic growth in the European Union (EU) will be 2.4 per cent, Japan 1.2 per cent, and the US 2.9 per cent. The conclusion is that strong economic growth will be there in other parts of the world too like in India, China and Brazil," said Han Bekke, president, International Apparel Federation, during an exclusive conversation with Fibre2Fashion.

The International Apparel Federation is the world's leading federation for apparel manufacturers, their associations, and the supporting industry. IAF's membership now includes apparel associations from more than 40 countries representing over 150,000 companies who provide products and services to the apparel industry - a membership that represents over 20 million employees.

He said that the major challenges currently being faced by the apparel sector include changing consumer behaviour. "According to the McKinsey survey 'State of Fashion 2018', consumers have become more demanding, more discerning and less predictable. This is challenging for companies in our sector who in my view have to reconsider their business models. Speed to market is key. Innovation is needed next to a sustainability approach."

Talking about the image of the apparel industry, Bekke said, "The adverse impact of apparel on the environment-in some cases on workers-and also a deteriorating perception of value caused by price races to the bottom are creating image problems for the industry.

A negative image of an industry is really the largest threat any industry can face collectively, and can also only improve collectively. Industry associations, industry initiatives and global federations such as IAF, ITMF and WFSGI are in a good position to play this collective role."

"Through projects, we support better collaboration between buyers and suppliers, we help reduce audit and standard fatigue and to improve their effectiveness, we support global schemes to increase the share of circular fashion, and we strive to better connect the worlds of large brands and retailers to the millions of small and medium-sized businesses in our industry," he added.

Source: fibre2fashion.com- June 15, 2018

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Ethiopia approves GM cotton cultivation

The ministry of environment, forest and climate change, Government of Ethiopia, has approved the cultivation of Genetically Modified (GM) cotton in the country. The ministry's approval for "environmental release" or growing biotechnologically engineered cotton for commercial purposes follows a request made by the Ethiopian Institute of Agricultural Research.

The ministry has given its nod on the basis of the analysis made by experts and technical team consisting of members from various organisations that have assessed the final report submitted by the agricultural institute.

The analysis confirmed that GM cotton, also known as Bt cotton, is safe for environment, ecosystem and human health, Assefa Gudina, Biosafety Affairs Directorate director with the ministry, told a leading Ethiopian daily.

However, Bt cotton seeds would need to be endorsed by the National Seed Approval Committee before they can be used for commercial cultivation on both small- and large-scale farms.

Earlier this month, the Agriculture and Food Authority (AFA) of Kenya supported growing of GM cotton in the country stating that it could result in a three-fold increase in cotton production and create up to 600,000 jobs in the country.

Source: fibre2fashion.com- June 14, 2018

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Egypt: Exports of readymade clothes to hit $1.7B

Head of the Ready Made Garments Export Council (RMGEC) Mohamed el Sayaad has said the strategy of the readymade clothes sector in Egypt aimed at increasing exports by the end of this year to $1.7 billion with a 20 percent increase over 2017.

In statements Thursday, Sayaad pointed out to plans with Chinese companies to establish textile factories to produce more clothes locally for imports, saying the council seeks to get major factories to help small and medium-sized enterprises through providing them with technical support with the aim of increasing Egyptian exports.

He said the liberalization of foreign exchange and the increase of customs duties has helped to boost local industries, encourage competitiveness in local markets and reduced exports.

He said that currently Egypt has 620 plants that produce export-oriented ready-made garments. Their combined workforce stands at 460 thousand, half of them in direct jobs and the other half in indirect ones.

Source: egypttoday.com- June 15, 2018

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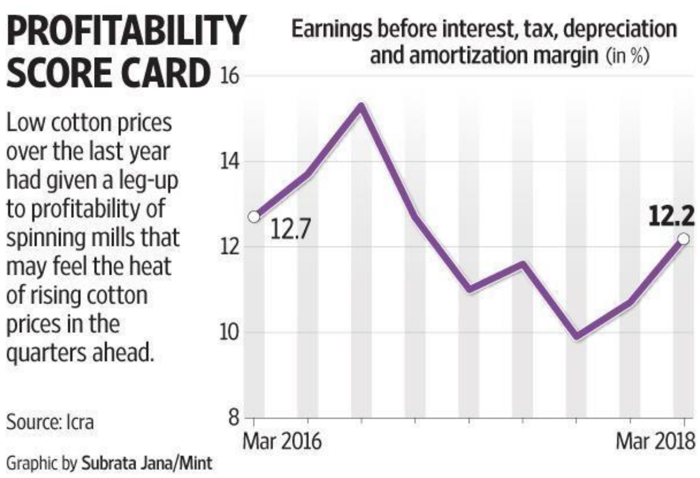
NATIONAL NEWS

Increasing cotton prices could trip margins at spinning mills

Expectations of higher minimum support price and increased demand from China are expected to impact cotton prices, already under pressure from reduced production

A surge in cotton prices spells bad news for spinning mills. Stable prices until January had lifted profit margins for mills in fiscal year 2018 (FY18), bringing relief as margins had been falling earlier.

The trouble started after the ministry of agriculture estimated that cotton crop sowing in the kharif season until May is 14% lower than a year ago. In line with this, rating agency Icra Ltd has forecast a 7-8% decline in cotton acreage to 11.4 million hectares in calendar year 2019 (CY19).



Even the seasonal estimate of 35 million bales for CY19 is lower than last year's output. Severe pest attacks on cotton crop last season may have led to losses that forced farmers to shift out of cotton this season.

Be that as it may, speculation on lower output has driven up domestic prices (Sankar-6 variety) by 15% since January.

With elections round the bend, analysts expect higher minimum support price for cotton. Icra estimates a minimum floor price of Rs 115-120 per kg, way higher than about Rs 95 per kg about two years ago.

Meanwhile, the domestic uptrend is also supported by strong international prices due to a revival in demand from China. The country's cotton imports were low for two years as it wanted to exhaust its buffer stocks.

Moreover, global cotton output too may fall short of consumption and take stocks to a seven-year low. That is another factor that can keep cotton prices up.

All these factors point to cotton prices ruling firm for a while. Even the Southern India Mills Association's view that speculation on lower output is keeping prices elevated has not softened prices yet.

If prices rule high in the months ahead, spinning mills' profitability will slip, albeit with a lag. However, analysts expect a mixed set of results in the second half of FY19.

Larger integrated mills that are also financially stable, such as Indo Count Industries Ltd, Nahar Spinning Mills Ltd and Vardhman Textiles Ltd, possess sufficient low-cost cotton stock. Their margins are less likely to be weighed down by rising cotton prices. Also, if yarn prices move up then that will allow them to absorb the increase in cotton prices.

Source: livemint.com- June 14, 2018

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Challenging year ahead for Indian economy, as trade deficit set to spiral despite healthy exports growth

India's trade deficit will continue to increase in 2018-19 despite faster exports growth, as imports are expected to increase at a much higher rate, believe the country's top business leaders.

As much as 61 per cent of the participants of a recent CII CEOs Opinion Poll believe that trade deficit will rise in 2018-19, with a substantial 63 per cent of the participating chief executives expecting imports to grow faster in 2018-19 than the rate of 21.2 per cent in 2017-18.

Compared to the 63 per cent CEOs expecting imports to rise, 55 per cent believed that exports growth will pick up in 2018-19 over the pace of 9.9 per cent in 2017-18, showed the poll organised by the Confederation of Indian Industry (CII).

According to RBI's recent balance of payments data, India's current account deficit for the full year 2017-18 increased to 1.9 per cent of gross domestic product (GDP) in 2017-18 from 0.6 per cent in 2016-17 on the back of a widening of the trade deficit.

In the fourth quarter of 2017-18, India's trade deficit increased to US$ 160 billion from US$ 112.4 billion in 2016-17.

"Exports registered 10 per cent growth over 2017-18 as the global economy is recovering and we expect the momentum to pick over the current year," said Rakesh Bharti Mittal, President of CII.

"Going forward, we must leverage stronger overseas demand and shifting global value chains through trade facilitation and competitive products," Mittal said.

Earlier in the month, the Federation of Indian Exports Organisation had said that Indian exports — which hovered around $300 billion — should exhibit 15-20 per cent growth so as to reach around $350 billion during FY19.

While trade deficit is set to increase, top executives were optimistic on the growth of the economy as 82 per cent of the CEOs voted for GDP growth to be higher than 7 per cent for 2018-19, with 10 per cent of them expecting growth to be above 7.5 per cent.

Capacity utilisation was expected to increase going forward from the current 74 per cent by 82 per cent of the respondents, while 92 per cent of CEOs polled expect further increase in consumption demand implying surge in investments going forward.

The poll revealed that 60 per cent of CEOs expect private investments to increase during the coming year.

Source: financialexpress.com- June 14, 2018

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TEA seeks FTAs with EU, US to counter Chinese threat in export

Tirupur Exporters' Association (TEA) today stressed the need to enter into Free Trade Agreements (FTA) with European Union, USA, the UK and Russia, to face the Chinese threat in export markets.

In a memorandum submitted to Union Textile minister, Smriti Irani in New Delhi, the association said though garment exports from China had been declining in a gradual manner since 2013, Chinese were 'silently' entering countries like Bangladesh, Sri Lanka, Vietnam and of late Myanmar, by setting up manufacturing bases.

China, by using advantages available to these countries with predominant EU and US markets, increased export and circumvented Indian industry's growth prospects in the global market, which was a real threat to the industry here, TEA president Raja M Shanmugham said.

"To face the onslaught of the Chinese, it was important for India to enter into FTA with EU, US, the UK and Russia, Comprehensive Economic Partnership Agreement with Australia and Comprehensive Economic Cooperation Agreement with Canada and other promising countries," he said.

On the Tirupur cluster, Shanmugham said TEA had set a target for knitwear business, including exports and domestic, to touch Rs one lakh crore by 2020. The target was fixed by none other than Prime Minister Narendra Modi, which also subscribed to the minister's (Smriti Irani) vision of doubling the textile industry turnover, he added.

In the last financial year 2017-18, Tirupur knitwear business reached Rs 42,000 crore, of which the contribution of exports and domestic business were Rs 24,000 crore and Rs 18,000 crore respectively, Shanmugham said.

Exports had declined from Rs 26,000 crore to Rs 24,000 crore, about 7.7 per cent, he said.

This was because of unforeseen situations faced by industry, the TEA president said adding the bottomline was hit further due to implementation of GST and reduction of duty drawback by 5 per cent and ROSL by two per cent.

Source: outlookindia.com- June 14, 2018

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SIHMA seeks ban on cotton export till harvest season commences

The South India Hosiery Manufacturers Association (SIHMA) has urged Prime Minister Narendra Modi to stop any further export of cotton till the next cotton season begins in October.

SIHMA president A. C. Eswaran pointed out that huge fluctuation in domestic cotton prices in the recent months had resulted in the increase of cotton yarn prices.

Harvested

cotton crop

"To control the cotton prices, the only solution is to stop any further exports of cotton and make the remaining quantity of harvested cotton crop available to the domestic textile sector.

Stock taking

"We have made the appeal as the cotton exports have been continuing with the help of Cotton Corporation of India without taking stock of the needs within the country", he said.

Raw materials

With cotton being the main raw material for the knitwear manufacturers, the escalation in its prices could affect the profit margins", added Mr. Eswaran.

Source: thehindu.com- June 14, 2018

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India's cotton exports increases 43 per cent in 2018-19

Indian farmers have been urged asked to grow cotton on maximum area as its demand is set to increase in 2018-19 due to various factors.

It is likely to increase 43 per cent to 10 million bales (of 170 kg each) in the 2018-19 marketing year on strong overseas demand, especially from China.

In the last few days, traders have exported more than 1.5 lakh bales of cotton to China. Traders said there is demand for all qualities of cotton with Indian cotton selling at discounts of 7-10 cents per pound.

Indian cotton is quoted at Rs 46,500 per bale in the spot market, much lower than Rs 54,000 per bale in the US and Rs 58,000 per bale in Australia.

CAI president Atul Ganatra says China has almost exhausted its cotton inventory and will be in the market to import the fibre. India has a good chance, especially with the new duty on imports from the United States.

Out of India's total cotton shipment of 6.2 million bales undertaken till May of this marketing year, 20 lakh bales have been exported to Bangladesh; 10 lakh bales to China; 12-13 lakh bales to Vietnam; 11-12 lakh bales to Pakistan; 7-8 lakh bales to Indonesia and rest to Sri Lanka and others.

According to CAI, India is the world's largest cotton producer and second-largest exporter.

Gujarat, Karnataka, Andhra Pradesh, Madhya Pradesh and Tamil Nadu are main cotton growing states.

Source: fashionatingworld.com- June 14, 2018

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Textile exhibition at Coimbatore

Chief Minister Edappadi K. Palaniswami on Thursday told the Assembly that an international textile exhibition would be held at Codissia in the coming years to give a fillip to the textile sector.

“The government will also set up dyeing units for combed yarn to ensure that the Tamil Nadu Textile Processing Mills get jobs throughout the year,” the Chief Minister said while making a suo motu statement.

Source: thehindu.com- June 15, 2018

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Mega textile park project at Pinjrat still in planning stage

While the Diamond City is facing air and water pollution caused by textile dyeing and printing mills located within the city limits, the Southern Gujarat Chamber of Commerce and Industry (SGCCI) has been for the last two years trying to convince the state government to allot 70 lakh square meter of land at Pinjrat in Olpad taluka in Surat district for a ‘mega textile park’.

The presence of polluting textile mills within the city limits came into spotlight following the collapse of a portion and fire at Shalu dyeing mills and also Maruti mills at Pandesara GIDC on June 9, which resulted in the death of two workers and injuries to 17 others. The accidents at the two mills gave a chance to SGCCI to renew its demand for the ‘mega textile park’.

The aim behind the mega textile park is to shift the existing textile mills from the city limits to Pinjrat in order to solve the issue of air and water pollution. The mega textile park will have a common boiler system (discouraging use of chimneys), wind and solar power generation, common drainage, high capacity CETP plant, tertiary treatment for water supply to units etc.

A team from the state government’s industries department had conducted a site visit along with officials from other departments and district administration last year, but nothing came out of it. IL&FS, a consulting company, was hired for preparing a presentation on the mega textile park.

The presentation was submitted to the chief secretary to Gujarat Government last year and even a special purpose vehicle (SPV)-Textile Processing Park Association (TPPA)- was also formed.

However, there has been no response from the government so far. The SGCCI's mega textile park is a Rs1,500 crore project which will accommodate over 100 textile mills, 40 water jet weaving units, 225 garment units and textile ancillary units. The mega textile park will house giant textile processing units, each having average capacity of manufacturing over three lakh metres of fabric per day.

Former president of SGCCI, BS Agarwal told TOI, "Textile mills in the city were set up when its population was less than 15 lakh four decades ago. At present, the city has over 60 lakh population and there is a need for the mills to shift to the outskirts. The textile mega park has been envisaged with the aim to provide a better life to the residents."

Agarwal said National Centre for Sustainable Coastal Management, which was hired for CRZ survey at Pinjrat, found that about 32 lakh square meter land was out of the CRZ regulation. He said the processing units in Surat are located in Pandesara, Kadodara, Palsana and Sachin industrial estates, each having one CETP plant.

At present, all CETPs are working to its fullest capacity and they are not allowed to expand, because they do not have further capacity for disposal of effluent. Thus, these processing units need to be shifted to the mega textile parks.

Most textile mill owners don't want to shift

Surat: The Southern Gujarat Chamber of Commerce and Industry (SGCCI) advocates the shifting of the polluting textile mills from the city limits to Pinjarat, but most of the textile mill owners are averse to the idea.

The market price of the land where these textile mills are located has skyrocketed in the last decade. However, with slump in realty market, the mill owners are not getting the market price for their properties.

A mill owner said, “We certainly do not want to create pollution in the residential area, but until we get market price for our properties, we are not interested in shifting. Only Jantri rates are not enough as they are on a lower side than the rates prevailing in the market.”

South Gujarat Textile Processors’ Association (SGTPA) president Jitu Vakharia told TOI, “It is good that a plan is afoot for the mega textile park at Pinjrat. But the thing is that the textile sector per se is passing through a tough phase.

The situation is worse for textile mills, which are operating at break even profit margins. The problem with Pandesara GIDC is that the land cannot be converted as it comes under GIDC purview. There are 115 textile mills in Pandesara alone.

The state government should come out with a package for the mill owners so that they can get subsidy on investments in new areas.”

Source: timesofindia.com- June 15, 2018

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HGH India trade show in Mumbai from July 3 to 5

HGH India -- the annual trade show for home textiles, home décor, houseware and gifts – will be held in Mumbai from July 3 to 5.

The event, which is designed to connect Indian market for home products and gifts, has emerged as an important trade show in the B2B segment over the past six years, Arun Roongta, Managing Director of HGH India said.

This year, more exporters have evinced interest in participating so as to realise the potential of the Indian market. This is evident from the participation of 70 exporters of 100 per cent EOU's with their products, he said.

Roongta who was in Kochi told reporters that they are expecting 35 per cent increase in the number of exhibitors to 600. Of this 100 are from abroad, representing 30 countries. The Indian participation is from 470 towns and cities with maximum participation from Maharashtra.

The footfalls is also likely to go up this year, a growth of nearly 17 per cent and the visitors included distributors, importers and retailers of home products, he said.

HGH India is organised by Texazone information Services Pvt Ltd which currently has offices in Mumbai and New Delhi.

The company has also plans to open an office in the South considering the increased participation from this region.

Coir Board head quartered in Kochi is also organising a group participation of coir finished products manufacturers in HGH India to enable them to access the national market, he added.

Source: thehindubusinessline.com- June 15, 2018

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