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INTERNATIONAL NEWS

Timely indicators signal a marked decline in global trade

UNCTAD trade nowcasts and free market commodity price index indicate that global trade values and prices have been negatively impacted since the first quarter of 2020 by the COVID-19 outbreak. The downturn is expected to accelerate during the second quarter of the year, with an estimated quarter-on-quarter decline of 26.9 per cent, says a latest report.

Global merchandise trade volumes and values were showing modest signs of recovery since late 2019 when the global economy was hit by the measures taken to contain the COVID-19 pandemic. United Nations Conference on Trade and Development (UNCTAD) nowcasts for global trade values point to a fall of 3.0 per cent in the first quarter of 2020 with respect to the previous quarter.

"Most of the impact of these measures, however, will affect global trade in the second quarter of the year, with an estimated quarter-on-quarter decline of 26.9 per cent," says the report released by UNCTAD's Committee for the Coordination of Statistical Activities (CCSA).

UNCTAD nowcasts incorporate a wide variety of data sources, capturing diverse determinants and indicators of trade. They are updated weekly to incorporate new data releases. The estimations in the report titled 'How COVID-19 is changing the world: a statistical perspective' are based on data available as of May 5, 2020.

The nowcasts for merchandise trade value for the first quarter of 2020 were revised downwards over almost all the last updates, reflecting increasingly deteriorating prospects with every release of new statistics. The drop in global trade nowcast for the first quarter is driven by marked decreases in related timely indicators.

Since December 2019, commodity prices have been falling at an accelerated rate. UNCTAD's Free Market Commodity Price Index (FMCPI) lost 1.2 per cent of its value in January, 8.5 per cent in February and 20.4 per cent in March. Fuels were the main driver behind this development, recording a price fall of 33.2 per cent in March, while minerals, ores and metals, food and agricultural raw materials saw prices decreasing by less than 4 per cent, the report said.

The fall of more than 20 per cent in one month is unique in the history of the FMCPI. From July to December 2008, after the outbreak of the global financial crisis, the maximum month-on-month decrease was 18.6 per cent. At that time, the descent lasted six months. The duration and overall strength of the current downward trend in commodity prices and global trade is yet uncertain.

Source: fibre2fashion.com- May 15, 2020

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June may see talks on UK's FTAs with EU, US, Turkey

A high-level meeting between the United Kingdom and the European Union (EU) is likely in late June to unlock the next round of discussions on a UK-EU free trade agreement (FTA), according to the UK Fashion and Textile Association. The UK government has said initial discussions on FTAs with Australia, New Zealand and Turkey will start by the middle of June.

At the UK-EU meeting, neither side is expected to ask for an extension to the transition period, and therefore, the possibility of the United Kingdom leaving the EU's Customs Union on December 31 this year without a deal is still quite a possibility, UKFT said in an update. The third round of meetings recently concluded.

The start of talks with Turkey is especially important for the clothing and textile sector as Turkey provides close to £2 billion of duty-free fashion and textiles to the United Kingdom every year. UKFT has been lobbying the government over the importance of maintaining duty free access to Turkey since 2016 and will ensure the sectors demands are regularly fed into the UK's negotiating team, it said.

Official discussions with the United States on an FTA also started this month. However, negotiations are expected to take a considerable time and differences over rules of origin for fashion and textile products is expected to be a particular source of contention, the association noted.

Following a consultation earlier in the year, the UK government is set to publish the new UK external tariff regime next month. The tariff regime will apply to all goods coming into the United Kingdom from countries with which the country does not have trade agreements.

UKFT submitted very detailed information to the government on the proposed regime including the absolute need for the new tariff schedule to provide support to UK manufactures. Details on the tariff regime will be published by UKFT as soon as they become available.

Japan is the United Kingdom's third most important market for fashion and textiles and UKFT has been consistently lobbying the government to deliver an FTA with Japan. The UK government will begin negotiations on a UK-Japan FTA next week.

Source: fibre2fashion.com - May 15, 2020

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25% of global sourcing will stay with China

In spite of much talk about countries thinking of moving out of China, and not putting all the eggs in one basket, 25 per cent of global sourcing will still stay with China, experts said at a virtual panel discussion. There may be some negative sentiments against China for the next 5-6 months, but ultimately retailers will go back to China for sourcing.

The trade war was already brewing before COVID-19 pandemic struck. Over the last two years, most sourcing directors had made strategic plans to step-by-step cut down on sourcing from China. "Their goal was to bring down China sourcing to 20-25 per cent, and many of them have actually implemented that. I personally don't see China going lower than that.

So, 25 per cent of global sourcing will still stay with China, but whatever has been thrown out has become good opportunity for other countries," Asmara Group CEO Venki Nagan said during the panel discussion on 'Buying agents and buying in the new global order', guest anchored by Fibre2Fashion Consulting Editor Richa Bansal.

China has a comparative advantage which is not going to disappear, as no other country has that kind of infrastructure which it built in the last 50 years, said Atul Nagi, VP-International Sales, Carpet Crafts LLC, Dubai. "China is intertwined in our daily living today. The price points that we live in and the price points that we expect, taking China out of the equation is not going to happen."

Echoing a similar opinion, Jyoti Saikia, CEO, Triburg, said: "Thinking about whether we can take away business from China is not of any value. China is here to stay. China provides certain benefits which nobody can take away from them."

If we look at what has happened to China in the last 2 months, the factories there have been up and running since the middle of February while the entire world is under lockdown. "India and emerging countries have lost big chunks of GDP in months whereas China's trade has been up, all the metrics are up for them. They have a head start in terms of capacity, infrastructure, costing, innovation, efficiency and productivity. So, China is here to stay." Anika Passi, country manager, TW House Sourcing Pvt Ltd, said during the panel discussion organised by Buying Agents Association.

Sanjeev Jain, President & CEO, TQM Global Buying, too agreed that China is always going to be there, and any set back would only be temporary. "All the retailers sitting out in Europe and US – they cannot depend on smaller countries because they are still not geared up to supply them in those capabilities that they are looking for. They have huge demands, which other countries are still not having capacities to fulfill.

"From the perspective of apparels and textiles, China has developed so many types of blends and fabrics which we do not even have in India. Using those blends, they are able to get into the price economy.

China is very good in polyesters. So ultimately when it comes to price or capacity, it is going to be China. May be for the next 5-6 months there is going to be some negative sentiments against China, but ultimately retailers are going to go back to China."

Elangovan, textile expert and chairman of Tiruppur-based Association of Buying Agents for Textiles (ABAT) said, "India lacks the ecosystem to replace China. India has been never been a candidate to replace China and it is not going to happen in the next 50 years."

Source: fibre2fashion.com - May 15, 2020

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54% of US consumers ready to buy apparel in store: study

As US stores reopen, a recent First Insight study found 54 per cent of US consumers are ready to buy apparel in store, followed by home improvement (36 per cent) and footwear (32 per cent). However, the purchase experience will likely look much different than it did before COVID-19, although millennials feel the safest re-entering shopping environment.

First Insight is a customer-driven digital product testing solution for brands and retailers.

Sixty five per cent of women respondents said they will not feel safe trying on clothes in dressing rooms, 78 per cent would not feel safe testing beauty products and 66 per cent would not feel safe working with a sales associate.

By comparison, 54 per cent of men said they would not feel safe trying on clothes in dressing rooms, 64 per cent would not feel safe testing beauty products and 54 per cent would not be comfortable working with a sales associate.

Millennials feel the safest returning to the shopping environment overall. Only 49 per cent of millennials surveyed said they would not feel safe trying on clothes in dressing rooms compared to 71 per cent of baby boomers. Similarly, 58 per cent of millennials would not feel safe testing beauty products compared to 86 per cent of baby boomers, and 48 per cent of millennials would not feel safe working with a sales associate, versus 72 per cent of baby boomers.

"While many shoppers seem ready to go back in-store, particularly to buy clothing, the experience is anything but business-as-usual," Greg Petro, chief executive officer of First Insight said in a statement.

Respondents felt that hand sanitiser and limiting the amount of people in-store (80 per cent respectively) and wearing a facemask (79 per cent) would make them feel the safest. Temperature checks (69 per cent), self-checkout (69 per cent) and farther distances between product racks or shelving (68 per cent) ranked less important to consumers when considering safety of shopping experiences in-store.

The worry about the novel cronavirus is subsiding slightly, with 76 per cent of respondents being worried on April 30, versus 82 per cent on April 20.

The percentage of consumers cutting back on spending due to coronavirus decreased, with 58 per cent of respondents reporting cutbacks in spending on April 30 compared to 62 per cent on April 20.

Source: fibre2fashion.com - May 15, 2020

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Uzbekistan airs its 'undirtied' linen in public

Uzbekistan recently adopted a presidential decree to peg its domestic cotton sale prices to those recorded by the New York Mercantile Exchange. The market-based price mechanism is expected to cut the cost of raw cotton for textile companies by around one-tenth.

The strategy is a key part of a government effort to move the country away from shipping raw cotton exports in favour of instead producing finished textile products such as fabrics and clothes. Uzbek textile exports in 2019 reached a value of $1.9bn—the authorities aim to raise this figure to $15bn.

President Shavkat Mirziyoyev has, meanwhile, said he wants to see finished textile product output raised to around $7bn within five years. And the government has projected that this year the country will boost its textile exports to $3bn from $2bn in 2019. Of course, such projections could be impacted by coronavirus (COVID-19) downturns yet to form part of the calculations.

The presidential decree also lengthened payment deadlines for raw cotton from 90 days to 150 days.

Moreover, among other measures designed to support the domestic textile industry, the process that allows producers to get value-added tax rebates once they ship their goods out of the country has been simplified.

The decree notes that the ex-Soviet state will charge fees on cotton yarn and knitted fabric exports via Uzbek customs borders, starting from 1 January 2021. They will be equivalent to $0.01 per kilogram of exported yarn. The fee is to be increased to $0.05 in 2022, $0.1 in 2023 and $0.2 in 2025.

Additionally, the decree states that tariffs will be removed entirely on imports of a number of production inputs required by the Uzbek textile industry, starting from 1 January 2022.

Ban on raw cotton exports

The economy ministry announced in late 2019 plans to stop exports of raw cotton in 2020, but did not specify any dates. Such a ban would need to arrive in tandem with the full-scale processing of cotton fibre domestically.

That would mark the end of the first stage of Uzbekistan's textile industry programme. The second phase would focus on enhancing the processing of cotton yarn and exporting more finished products, with an increased value-added tax.

The Central Asian nation's long-term goal focuses on entering the European Union textile market. To this end, Uzbekistan seeks gain entry to the Generalized System of Preferences + (GSP+) tariff system this year. That would allow better access to the EU market. Uzbekistan is currently part of the GSP Standard system.

The system allows Uzbekistan to export up to 3,000 types of goods to the EU market free of tax and 3,200 types of goods at reduced tariffs. Switching to the GSP+ system would allow the country to export over 6,000 types of goods free of tax.

Cotton Campaign

In mid-April, the international Cotton Campaign coalition of human rights groups declared that it would be premature to lift the longstanding global boycott of Uzbek cotton and textiles as called for by Tashkent. The statement was a response to the Uzbek government requesting the lifting of the boycott to help the country deal with the economic impact of the coronavirus pandemic.

The Cotton Campaign, which also targets forced and child labour in Turkmenistan, said in an April 16 statement that only the complete eradication of forced labour along with civil society reforms such as the registering of NGOs that monitor worker rights would spur it to take such an action.

The boycott has been supported by international companies including Amazon, Calvin Klein, Adidas and Inditex, although the US lifted its market ban on Uzbek cotton last year.

As things stand, Uzbekistan, a nation of 34mn and one of the world's biggest exporters of cotton, mostly sells cotton and textiles on Asian markets, which the government has said means lower prices and limited growth opportunities.

Another difficulty for Tashkent is that more than 300 brands and retailers remain signatories to an international boycott of Uzbek-sourced cotton and textiles, that goes under the name of the Uzbek Cotton Pledge. Adidas, Spanish fashion retailer Zara, American department store chain Macy's and Swedish-Dutch furniture-maker Ikea are among the big names signed up.

The UN's International Labour Organization (ILO) in a February report said that 1.75mn people took part in the annual cotton harvest in Uzbekistan last year. It said that around 102,000 of them were victims of forced labour, but that was down by around 40% compared to the number of people forced to pick cotton in 2018.

The UN labelled this change for the better as "major progress", since 94% of cotton pickers were determined to have worked voluntarily; just a few years ago the entire sector relied on forced labour.

Over 2,000 firms in Uzbekistan, a country of 34mn, work in textiles, employing over 360,000 people. Much of the country's cotton is exported to Russia. Russia bought 73mn square metres of Uzbek cotton fabric in the first six months of the 2019-2020 marketing year. The EU imported 17.74mn square metres in the same period.

Source: intellinews.com - May 15, 2020

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Sri Lanka: 200 million face masks order to boost Apparel industry; Brandix exports first consignment to US

Mr. Basil Rajapaksa, Special Representative of the President and Head of the Presidential Task Force on Economic Revival and Poverty Eradication, symbolically handed over the first batch of face masks from a production of 200 million face masks for export by Brandix, to U.S. Ambassador to Sri Lanka and Maldives Alaina B. Teplitz.

The handover took place at the Brandix Headquarters on 14th May 2020 in the presence of Mr. A. Sukumaran – JAAF Chairman, Mr. Ashroff Omar - Brandix Group Chief Executive Officer and Ms. Ranga Ranmadugala – Board Member of Brandix Apparel Limited.

U.S Ambassador to Sri Lanka and Maldives Alaina B. Teplitz expressed her appreciation to Mr. Basil Rajapaksa and Brandix. "As the world combats this global pandemic, the long friendship between the United States and Sri Lanka is helping both our countries overcome this challenge.

Our collaboration has resulted in quality products that can help mitigate the spread of COVID-19. Impressively, the fabric used for the face masks was produced in Sri Lanka, while the chemicals used for the antimicrobial finish were made in the United States, demonstrating a synergy that benefits all. We look forward to continuing our cooperation with the Sri Lankan Government and Brandix to sustain the global supply of PPE."

Mr. Basil Rajapaksa, Special Representative of the President and Head of the Presidential Task Force on Economic Revival and Poverty Eradication said, "We are proud that products manufactured in Sri Lanka such as these 200 million face masks are being exported to nations like the US, where it will play a vital role in combatting the COVID-19 pandemic.

This collaboration between the two countries has resulted in sustaining our national economy, in addition to paving way for global customers to reach out to Sri Lanka for quality products in the months ahead. We are glad that a leader in apparel like Brandix utilized its resources to lead the way in this journey, giving the global market a glimpse of the advanced infrastructure and agility that is already in place within Sri Lanka, in order to meet the current and future market demands."

The face masks produced by Brandix have been manufactured combining the efforts of over 15,000 of the company's Associates and an extended network of several supply chain partners in the country. The face masks, produced as 3-ply and of cotton-based fabric with antimicrobial finish, is stretchable for better fit and meet stringent hygiene standards.

Speaking on the endeavour, Ms. Ranga Ranmadugala – Board Member of Brandix Apparel Limited commented, "The apparel industry is a key export revenue generator in Sri Lanka, generating $5.6 billion of exports in the last fiscal year itself. However, the unavoidable decline in trade and production output resulting from the COVID-19 crisis, has left the industry facing its toughest predicament in recent times, impacting Sri Lanka's positioning against other apparel export markets.

In this daunting background, the production of a large volume of face masks for export to the US is truly heartening as it reaffirms the continued trust and partnership the two nations uphold." She added, "Despite the challenging conditions and the tough road ahead, the industry will continue to do its part to combat potential long-term impacts of the pandemic and bring in revenue to replenish the national economy. We are also happy that we can continue to sustain livelihoods through continued production as well. As a leader in apparel, we assure the Government of Sri Lanka that we will do our utmost to support the journey ahead."

Source: adaderana.lk- May 14, 2020

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M&S announces early start date for new MD, clothing & home

Further to the announcement made on November 22, 2019, Marks & Spencer has confirmed that Richard Price will start his role as managing director, clothing and home on July 6, 2020. M&S is a major British multinational retailer with headquarters in London, England. The company specialises in selling clothing, home products, and food products.

Price's career spans some of the UK's top clothing brands and he has a proven track record of delivering growth through stylish, great value product, according to a press release by M&S.

“Price joins us at a crucial time. I am confident that his leadership of a much-strengthened team and track record of delivering growth through great value, stylish product will accelerate the transformation of our clothing and home business and build on the improvements in product, value and availability over the past year,” Steve Rowe, CEO of the company said.

M&S is also confirming a change of responsibility for CEO Steve Rowe, who will hand over his clothing and home accountabilities to Price upon his early arrival on July 6, 2020.

Source: fibre2fashion.com- May 15, 2020

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Global trade of high tenacity polyester yarn declines

The global trade of high tenacity polyester yarn, whether or not textured have shown a dramatic decline in 2019. Total trade decreased 1.88 per cent to $3,274.67 million in 2019 from $3,337.47 million in 2017, according to the data from TexPro. The total trade of high tenacity polyester yarn has declined 16.86 per cent in 2019 over the previous year.

Further the trade is anticipated to drop to $3,182.95 million in 2022 with a rate of 2.80 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of high tenacity polyester yarn was $1,626.57 million in 2017, which slightly declined 1.21 per cent to $1,606.97 million in 2019. Total exports fell 16.04 per cent in 2019 over the previous year and is expected to drop to $1,578.00 million in 2022 with a rate of 1.80 per cent from 2019.

The global import value of high tenacity polyester yarn was $1,710.90 million in 2017, which reduced 2.52 per cent to $1,667.70 million in 2019. Total imports decreased 17.63 per cent in 2019 over the previous year and is expected to shrink to $1,604.95 million in 2022 with a rate of 3.76 per cent from 2019.

China ($745.90 million), South Korea ($171.98 million), Germany ($123.07 million), Taiwan ($96.74 million) were the key exporters of high tenacity polyesters across the globe in 2019, together comprising 70.80 per cent of total export. These were followed by the Spain ($56.75 million), the Netherlands ($47.06 million) and the US ($46.67 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Taiwan (14.44 per cent) and China (13.82 per cent).

US ($261.29 million), Italy ($111.88 million) and Germany ($76.21 million) were the key importers of high tenacity polyesters across the globe in 2019, together comprising 26.95 per cent of total import. These were followed by India ($75.02 million), South Korea ($67.62 million) and France ($64.26 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by US (16.79 per cent) and Germany (1.95 per cent).

Source: fibre2fashion.com- May 15, 2020

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Atlanta, Las Vegas markets rescheduled for August

International Market Centers has postponed summer home furnishings markets to August in order to accommodate participants' COVID-19-related concerns about travel and trade show attendance.

The Atlanta market, originally scheduled for July 14-20, will run Aug. 13-18, with temporary exhibitors showing Aug. 14-17. Las Vegas Market will postpone to Aug. 30-Sept. 3 from its original July 26-30 dates. Temporaries, which will be staged for the first time in the Expo at World Market Center Las Vegas, are to be open Aug. 30-Sept. 2.

Las Vegas Market will offer the added benefit of running concurrently with the National Hardware Show, which runs Sept. 1-3 at the Las Vegas Convention Center. Both markets will feature new trade show layouts designed to enable social distancing and traffic control.

IMC changed the market dates after a Stax survey in April of some 180,000 buyers and 6,000 vendors across the furniture, gift, home décor and apparel categories indicated that enough buyers would be willing to travel by the new dates and that retailers are in great need of goods as brick-and-mortar stores re-open across the country.

Gift buyers represented 38% of respondents, furniture 25%, home decor 24% and apparel 13%.

"We believe that with modifications to Atlanta market and Las Vegas Market's timing and format, and implementation of rigorous health and safety protocols, IMC can deliver the markets our buyers need and are willing to attend," said IMC CEO Bob Maricich in an announcement of the new dates. "While we cannot currently gather in person, we look to meeting again at our markets this August."

Looming inventory needs

Sixty-four percent of retailers responding to IMC's survey said existing product from their existing vendors was their top buying priority, with 55% saying new product, but from existing vendors, was their second priority.

Twenty-four percent of retailers surveyed by Stax said they had immediate inventory needs, with more than half saying they'd need more inventory within three to four weeks of re-opening. By the time of Las Vegas Market's new dates, 90% of survey participants indicated they'd need more inventory.

"Most retailers expect to need inventory in the near term with a focus on core products with core vendors," Maricich said during a Zoomcast presentation with industry editors. "The discussion of new product from new vendors is well down their priority list right now."

He added that many retailers had cancelled orders in light of COVID-19, "so a lot of product isn't in the pipeline."

That's one reason IMC will format its markets to focus on writing business and order commitments, with normal programming such as seminars and trend features offered online only.

The elimination of in-person seminars at markets also will enhance social distancing and other safety measures that will be in place. IMC also will not host social gatherings at the shows.

Physical markets still key

While digital initiatives are more important today and will remain so, IMC's survey indicated that in-person markets remain critical to more than 50% of buyers in all categories: Fifty-six percent of furniture retailers surveyed and a similar percentage of home décor stores said such events are "more important," although 30% and 26%, respectively, said they'd be less important.

"People are anxious to get back to market, but they have to feel safe and secure," Maricich said, noting that as the economy reopens, digital platforms will remain an important complement to brick-and-mortar trade shows.

While they do not see digital markets as a viable replacement for physical markets, IMC's survey indicated buyers are interested in tools that will allow for additional brand discovery and more efficient at-market purchasing.

IMC Executive Vice President Dorothy Belshaw expects around 50% less attendance than usual at summer markets but with an estimated 55% of regular buying power.

"We expect attendance to be highly regional and mostly drive-in," she said in the Zoomcast, adding the survey indicated retailers are now willing to drive six hours to a show vs. four hours before the pandemic, which puts Las Vegas and Atlanta well within driving distance of major population centers. "There's a high degree of comfort in driving to market."

Expanded safety protocols

IMC's COVID-19 response and remediation task force is developing thorough and detailed protocols for market production designed to ensure the health and safety of all those attending its markets.

All back-to-business operating plans are being vetted to verify efficacy and identify best practices by Dr. Carlos del Rio, who chairs the Department of Global Health, is a professor of epidemiology at the Rollins School of Public Health and a professor of medicine in the Division of Infectious Diseases at Emory University School of Medicine.

Safety procedures at the markets are expected to include the required use of personal protective equipment, temporal monitoring, social distancing, occupancy control, and hand sanitizing/ cleansing and significantly enhanced housekeeping protocols for cleaning and disinfecting IMC's facilities.

IMC also is collaborating with hotels and food-and-beverage partners to confirm and communicate special protocols; planning new pre-registration requirements to enable contactless market entry; and preparing for arrival and departure strategies to facilitate social distancing.

Comprehensive details around onsite health and safety protocols will be promoted in advance of each market and will be updated regularly here.

IMC will issue a white paper outlining details from the survey it commissioned with Stax, an independent global strategy consulting firm.

“We recognize that our decisions do not impact just our business, but the business of the hundreds of thousands of manufacturers, sales organizations, retailers, designers, logistic managers, hotels, restaurants and more who are a part of our markets,” Maricich said.

“We approached our decision through sound research and will give our partners the same opportunity by releasing the results of our survey through a detailed white paper next week. We hope this survey can bring some clarity to the current state of the industry and allow for better planning as we all move towards recovery.”

Source: hometextilestoday.com- May 15, 2020

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Pakistan: Relief for cotton: a loss for exports?

After witnessing highest ever monthly volume in Feb-20, cotton imports in April were down by 40 percent from its peak two months ago. Two months into lockdown, this comes as little surprise as global textile demand has eviscerated in the aftermath of Covid-19; but have put a dent in predictions of highest ever import bill in 30 years.

Recall that Pakistan recorded its lowest ever cotton output in the outgoing season at 8.55 million bales, falling short of estimated domestic consumption of 14-16 million bales by nearly 50 percent. Varying estimates of import were put forth, given the low opening stock position with spinning mills. Although clarity had been established on poor crop outlook way back in Sep-19, imports did not begin to trickle until the second half of fiscal year due to steep custom duty on import till the completion of harvest in Jan-20.

Once the duty was lifted in second week of Jan-20 – a regular practice to protect local growers and ginners – imports picked up like a charm, evidenced by import of 1 million bales in 6 weeks till Feb-20.

Market insiders placed forecast of imports for Mar-June at 0.8 – 1 million bales per month, confirmed by news flow from banking channels that large spinners had booked sizable forwards for import way back in Oct-19.

Now that the orders have been cancelled or delayed, it appears that floor may fall out in the remainder two months of the fiscal year. According to Karachi Cotton Association, trading was suspended for nearly a month beginning last week of March and has shown no sign of life ever since business resumed officially a fortnight ago. Spot price is holding ground at Rs8,760 per maund, quietly hoping for a reversal in fortune.

Meanwhile, international cotton prices are at their lowest for at least past 5 years and are showing no signs of changing gears any time soon. Six-month rolling average of Cotlook "A" index indicates that spot prices are having their longest bear run since 2015-16, when bumper crop in top producing countries took prices down to $1.56kg for more than a year.

Cotton futures for May-21 (365 days) is trading at 61cts/lb, down by 15 percent from Dec-20, long before Covid-19 had become a threat to global economy.

Amidst all of this, a push for imposition of an intervention price for cotton by the federal cabinet is deeply surprising. The proposal, earlier rejected by ECC, had suggested allocation of Rs83 billion package for public procurement of seed cotton at Rs4,200per maund for the soon-to-begin sowing season. This would amount to procurement of 4.3million bales – more than 50 percent of cotton production in FY20 – and a larger governmental footprint in commodity operations than even wheat (in % terms).

At a time of depressed demand forecast, an intervention price set well-above international rate may help pique grower interest in the crop. But at what cost? Government role in procurement operations cannot reverse the slowdown in global textile value chain.

On the contrary, it will increase the price of domestic cotton for the spinning industry making textile products even more uncompetitive in the international market – unless the government decides to set the issue price at (or lower) than international market rate, in which case it will have to show willingness to take a steep blow to exchequer.

At a time when cotton futures are trading at a significant discount than their long-term average, both government and the industry should explore the possibility of removing custom duty permanently, hedging future price risk and booking long contracts. Instead, it appears that constituency politics will carry the day in federal cabinet. A victory for optics may prove a loss for commerce.

Source: brecorder.com- May 15, 2020

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Pakistan: Karachi Cotton Brokers Forum demand separate cotton ministry

Karachi Cotton Brokers Forum (KCBF), in their budget proposals for the year 2020-21 sent to Prime Minister Imran Khan, have demanded a separate cotton ministry to look after the affairs of the cotton trade exclusively. According to the proposals, KCBF demands the government should impose ban on cultivation of paddy and sugarcane and setting up of sugar mills in the areas already earmarked for cultivation of cotton. A system should be evolved for monitoring of the cotton at district level. The government should fix the support price of cotton in order to encourage the farmers.

The government should mobilize all resources at federal and provincial level to increase per acre yield and to bring more area under cotton cultivation particularly in Balochistan and Khyber Pakhtunkhwa. It should also encourage farmers who are taking interest in cultivation of organic cotton in Balochistan.

Also, the government should ensure the supply of certified cotton seed/BT seed to the growers. Awareness should be created among growers for using modern integrated pest management system. All the cotton research institutes of the country should work hard to make virus resistance cotton seed varieties.

KCBF also demands that government should made necessary arrangements to import pure and certified seeds in small packing instead of importing in bulk. It is pertinent to mention here that large quantity of cotton crop was destroyed every year due to the supply of adulterated pesticides to the growers.

Source: fashionatingworld.com- May 15, 2020

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NATIONAL NEWS

Goods exports fall 60.28 per cent in April as virus takes its toll

Imports, too, plunge 58.65 per cent; exporters call for greater sops

India's exports of goods in April 2020 fell 60.28 per cent to $ 10.36 billion (year-on-year), the steepest fall in over 25 years, with almost all major sectors such as gems & jewellery, garments and textiles, carpets, leather, engineering goods and petroleum products, posting a sharp fall.

"The decline in exports has been mainly due to the ongoing global slowdown, which got aggravated due to the current Covid-19 crisis. The latter resulted in large scale disruptions in supply chains and demand leading to the cancellation of orders," according to an official release.

Imports declined 58.65 per cent to $ 17.12 billion in April 2020 with the sharpest drop in sectors such as electronics, petroleum, machinery, coal and chemicals, according to figures released by the Commerce & Industry Ministry on Friday. Trade deficit shrunk to $ 6.76 billion in April 2020 compared to $15.33 billion deficit in April 2019.

Exporters have sought additional measures from the government to help support the sector at this time of crisis when exports in all major sectors, except for pharmaceuticals and iron ore, have declined.

The sharp fall in employment-intensive sectors of exports has severe ramifications for jobs in the country particularly as domestic demand will also not be robust, pointed out Sharad Kumar Saraf, President, Federation of Indian Export Organisations, who added that this was the sharpest fall in over two-and-a-half decades.

Saraf said the government may consider providing additional incentives under existing schemes such as MEIS, the scope for which could be widened.

FIEO also suggested that the government should allow rollover of forward cover without interest and penalty and automatic enhancement of limit by 25 per cent to address liquidity challenges.

While the package for Micro Small and Medium Enterprises announced by the government would provide liquidity infusion, units need straight forward fiscal support like waiving of electricity charges, water bills, and wage support for survival, said Ravi Sehgal from the Engineering Export Promotion Council.

"Besides, all dues and refunds should be immediately released to enable exporters tide over this unprecedented crisis," he added.

In March 2020, India's goods exports declined 34.57 per cent to $21.41 billion, pulling down overall export figures for the financial year 2019-20 by 4.78 per cent to $314.31 billion.

Source: thehindubusinessline.com– May 15, 2020

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Third tranche of 'Aatmanirbhar Bharat Abhiyan': Agriculture sector gets ₹1.5-lakh-cr booster

FM proposes to remove 6 farm produce from Essential Commodities Act

To ensure 'Atma Nirbhartha' (self-reliance) at the grass-root level, the Government on Friday came out with a comprehensive package for agriculture sector including barrier-free inter trade of agriculture produce and taking out six ley agriculture produce from the ambit of Essential Commodities Act.

In the third tranche of measures for revival of the economy affected severely due to Covid-19 pandemic, Finance Minister Nirmala Sitharaman presented 11 measures for agriculture and allied activities. This includes eight liquidity measures totalling Rs 1.50 lakh crore for various activities, including infrastructure development, and the remaining three are related to governance reforms.

With these, a total of 36 measures with fiscal and liquidity support of Rs 9.90 lakh crore under 'Atamnirbhar Bharat Abhiyan (Self Reliant Campaign)', mooted by Prime Minister Narendra Modi on May 12, haven been announced. Now, two more rounds of announcements expected on Saturday and Sunday.

Governance Reforms

Sitharaman said that a central law has been proposed to facilitate adequate choices to the farmer to sell produce at an attractive price, barrier-free Inter-State Trade and framework for e-trading of agriculture produce. As on date restriction on farmers to sell their produce in local Agriculture Produce Market Committee authorised mandi makes it challenging to get a better price which proposed law intends to remove.

When asked about the possibility of central law for the marketing of agriculture produce as State's subject, the Minister informed that interstate trade falls in Central list so that legislation can be made. Supplementing this, Economic Affairs Secretary Tarun Bajaj said for any subject in the concurrent list, central law will prevail over state law, and here some issues are in the concurrent list so that Centre can make a law.

Another major reform is related to an amendment in the Essential Commodities Act 1955 to take out Agriculture foodstuffs including cereals, edible oils, oilseeds, pulses, onions and potato from its ambit. It means no requirement of stock limit in normal circumstances. However, Sitharaman said that it could be imposed under very exceptional circumstances like national calamities, famine with the surge in prices. However, it will not apply to processors or value chain participant, subject to their installed capacity or any exporter subject to the export demand.

The third reform is related to preparing a legal framework to enable farmers for engaging with processors, aggregators, large retailers, exporters etc. fairly and transparently for better price realisation. Such a structure will also help in risk mitigation for farmers, assured returns and quality standardisation.

Support for Agri and allied activities Infrastructure

NABARD will facilitate Rs 1 lakh crore finance for funding Agriculture Infrastructure Projects at farm-gate & aggregation points (Primary Agricultural Cooperative Societies, Farmers Producer Organisations, Agriculture entrepreneurs, Startups, etc.). Another measure talks about Rs 10,000 crore scheme for the formalisation of Micro Food Enterprises (MFE). This will help nearly 2 lakh MFEs to achieve technical up-gradation to attain FSSAI food standards, build brands and marketing.

Sitharaman informed that such units would promote vocal for local with global outreach with a cluster-based approach. Produce such as Makhana in Bihar, Mango in UP, Kesar in J&K, Bamboo shoots in North-East, Chilli in Andhra Pradesh, Tapioca in Tamil Nadu etc. will get support for the domestic and global market.

Click here for more details

Source: thehindubusinessline.com– May 15, 2020

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'Tweak in SEZ rules can attract companies exiting China'

Tamil Nadu Association of SEZ Infrastructure bats for easier access to DTA, efficient exports

With policy interventions in the SEZ (special economic zone) rules, India can attract manufacturing supply chains that are relocating from China, according to the Tamil Nadu Association of SEZ Infrastructure developers.

In a communication to the Prime Minister, Sunil Rallan, the president of the Association, has requested for a few policy interventions in SEZ schemes and shift to digital mode for approval processes.

"All trends indicate that Indian domestic demand will remain strong while the global markets will take longer to pick up. Export-led growth from India is going to face demand contraction and slow growth for the next 2-3 years.

We need to incentivise foreign supply chains to relocate into SEZs with easy access to DTA as well the ability to export efficiently," he said in his letter.

He highlighted that the Covid-19 outbreak and the consequent turmoil in global economy has led to realignment of global supply chain with about 50 per cent of the units seeking to move out of China.

In this process, Vietnam has become more attractive than India to these relocating units due to former's friendly policies.

Transparency in processes

India's fiscal policy requires the manufacturing units to set up discrete factories for DTA markets and exports, thereby making it very unattractive to consider India as a destination. This is further compounded by several other issues on ground. 'Make in India' must result in more transparency and create an environment that makes our units compete with the rest of the world.

Foreign companies must be attracted to come and take advantage of our manufacturing ecosystem, he said.

For this, the association has sought recalibration of SEZ rule 53 in order to give parity to the SEZ units with the scheme operated by CBIC (Central Board of Indirect Taxes & Customs), "We urge the government to provide parity to the SEZ units with the scheme operated by the CBIC and the EOU scheme under the FTP (foreign trade policy). This will make it very attractive for the overseas entities setting up manufacturing units in India and provide for ease of doing business," Rallan said.

The association wants the SEZ Rule 18 (6) which covers the concept of manufacturing services, should be revised to cover the prevailing business models. Rule 76 must be amended to include manufacturing services in the list of services.

Rallan also pointed out that transactions such as Form F application, shipping bill filings, filing of commencement of operations, renewal of LOA etc could move online.

"All approval processes at various stages must be done online from the submission until approval. The integration of SEZ online with the Customs ICEGATE System must be completed.

This matter has been under review now for several years without any outcome. This will expedite the entire process resulting in greater ease of doing business, he added.

Source: thehindubusinessline.com – May 15, 2020

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India '20-21 cotton acreage seen 12.4 mln ha, down 2%

India's cotton acreage in 2020-21 (Jul-Jun) is seen at 12.4 mln ha, down a modest 2% on year, an average of estimates by 10 prominent players in the cotton value chain polled by Cogencis showed.

According to the farm ministry data, cotton area in 2019-20 was at 12.8 mln ha, while Cotton Advisory Board had pegged the acreage at around 12.6 mln ha. Most participants said a recent sharp fall in prices may hit cotton acreage in the upcoming season. Adequate stock in the market may also discourage farmers from sowing cotton as the lockdown imposed to curb the spread of COVID-19 has severely hit the textile industry, and in turn, weighed on demand for the fibre.

"Acreage is projected to remain steady or slightly lower by a maximum of 5% because farmers have received good returns for bulk of their produce and any setback that they may face will be limited to the stocks of raw cotton they are presently carrying as they may face difficulty in selling these remaining stocks" said Unupom Kausik, the president of National Collateral Management Services Ltd.

Industry experts projected cotton production in the current 2019-20 season at 36.0-37.0 mln bales (1 bale = 170 kg), of which around 15-20% of the stocks are available with the farmers.

"With over 15% unsold cotton stock and acute lack of demand, farmers are facing difficulties in disposing of the cotton…procurement agencies and private ginners have slowed down their purchases because of the huge price depreciation and extended lockdowns," said Manish Daga, the managing director of Cotton Guru Group, which has a direct network of over 100,000 farmers.

Futures contracts of cotton on the Multi Commodity Exchange of India had hit a low of 14,800 rupees per bale (1 bale = 170 kg) at the beginning of May, the lowest since July 2015. Currently, the most-active May contract is at 15,710 rupees, up 0.3% from the previous day.

Some industry experts also see a slight shift from cotton, especially in Maharashtra and Gujarat, because of the lower prices. Farmers in Maharashtra may shift to shorter duration crops like soybean and pulses, while in Gujarat, they may divert some cotton area to groundnut, which offers better returns. However, the shift may not be very significant, they added.

Acreage in Telangana, which is among the major producers, is expected to be similar to last year or slightly lower. The state government has asked farmers to cultivate cotton across 2.0 mln ha, said a trader.

Gujarat is the top producer of cotton, followed by Maharashtra and Telangana. Gujarat and Maharashtra together account for around 50-55% of the country's total production.

On other hand, some participants see the acreage rising despite the ongoing crisis. Forecast of normal monsoon, good support price, and problem of labour shortage may encourage farmers to sow more area under the fibre.

"The minimum support prices for cotton is attractive, and farmers are protected by the support prices. This may lead to slight increase in acreage," said K. Selvaraju, the secretary general at the Southern India Mills Association.

Vijay Waghmare, director of Nagpur-based Central Institute for Cotton Research, said shortage of labour, good support price and assured government procurement may also encourage farmers to increase some area under cotton.

"Due to labour problems, farmers may shift from paddy to cotton as it requires less labour during sowing. Cotton requires labour during pickings, which starts from November onwards. Hopefully, the labour problem gets resolved by that time," said Waghmare.

Sowing has already started in some north Indian states and farmers are seen shifting from paddy to other competing crops, mainly cotton, due to shortage of labour and also because of higher returns. However, the increase in northern zone, would barely offset the decline expected in other parts of the country.

Typically, sowing starts in late April in irrigated areas of north India and in June, in the country's rain-fed regions. Around 70% of India's cotton acreage is dependent on monsoon rains.

India Metrological Department forecast of a normal southwest monsoon for 2020 means a well-distributed rainfall is expected across the country that may also boost crop productivity. Average yield is expected to rise to 491 kg per ha from 480 kg last year, said US Department of Agriculture in a report.

Summary of the Cogencis poll on India 2020-21 (Jul-Jun) cotton acreage:

* Range of expectations: 11.8-13.2 mln ha for 2020-21, against 12.3-13.3 mln ha for 2019-20

* Mode: 12.3 mln ha vs 12.6 mln ha

* Mean: 12.4 mln ha vs 12.7 mln ha

* Median: 12.4 mln ha vs 12.6 mln ha

Following are the output estimates for 2020-21, in mln ha by polled entities:

Poll Participants	Acreage 2020-21	Acreage 2019-20
Central Institute for Cotton Research	12.5-13.0	12.6
Global agri business firm	12.0-12.5	12.7
Indian Cotton Federation	12.2-12.6	12.6
Kotak Securities	11.9-12.2	12.8
Maharashtra State Coop Cotton Growers Marketing Federation	13.0	12.6
National Collateral Management	12.0-12.5	12.6
Paradigm Commodity	11.5-12.0	12.3
South Asia Biotechnology Centre	12.2-12.5	12.6
The Southern India Mills' Association	12.5-13.0	12.6
USDA Foreign Agricultural Service	12.5	13.3

Source: cogencis.com – May 15, 2020

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Monetary, regulatory support can help agri industry account for 20% of exports by 2025, say experts

The monetary and regulatory support announced for the agricultural industry by the Finance Ministry on Friday has the potential to help double the share of this sector in the country's basket of exports to around 20 per cent by 2025, according to some experts. However, the government will have to implement more measures to make these sectors more efficient and competitive, they said.

"The strengthening of post-production facilities like cold chains, storage infrastructure and farm-gate projects will not only address wastages but will also improve unit realisation of our agricultural products," said Sharad Kumar Saraf, president, Federation of Indian Export Organisations (FIEO).

"This perception is likely to stay for the next 3-4 years and since China is one of the major exporters of agricultural products, this gives us a huge advantage to look into replacing it," said FIEO director general Ajay Sahai.

The announcements have also addressed some "key bottlenecks" faced by exporters in the agricultural sector, according to FIEO. For instance, the removal of inter-state movement restrictions is a "big" relief as it will help in fulfilling export commitments and capitalise on export opportunities.

Another positive move is the amendments to the Essential Commodities Act, which imposed stock limits on products like edible oils, oilseeds, pulses, onions, potatoes and cereals. The amendments will help in "better" price realisation for farmers, but will also help them stock sufficient quantities for timely delivery, which is "very crucial" in inventory management, according to Saraf.

This is the opportune moment to look at the country's agricultural sector and rural economy in a holistic manner. However, measures announced on Friday address only a few issues that can contribute to improving efficiencies in the sector, according to trade expert Biswajit Dhar, professor at JNU's Centre for Economic Studies and Planning.

In the short term, India will also have to contend with poor global demand, according to him.

India’s exports dropped over 60 percent in April due to supply chain disruptions and low demand in the wake of the ongoing pandemic.

“… in agricultural exports, we can easily achieve a Compound Annual Growth Rate of 30 per cent in the next five years. Right now we’re not even growing at 10 percent,” said Sahai, adding that agricultural products contributed only around 10 percent of India’s total export basket.

“If we see that India is an agricultural country and that 55 percent of the population is dependent on it, yet the share of agriculture in our exports is only 10 percent, it is a cause of concern,” he added.

While this share can double over the next five years, there are other issues that also need to be looked into, according to him.

“If you look into productivity in agriculture, it has come down drastically. A lot of agricultural reforms are required,” said Sahai.

Source: indianexpress.com – May 15, 2020

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With a low 'turnover' threshold, Government's new MSME definition sows confusion

If the threshold or the criteria to qualify is set too low in the definition, India runs the risk of firms staying small and not growing.

Presenting her economic package on Wednesday, Finance Minister Nirmala Sitharaman said the definition of an MSME is being revised by raising the investment limit. An additional criterion of turnover was introduced and the distinction between manufacturing and service sector was also eliminated. Revision of the definition has been a longstanding demand of the sector and while it is a welcome one, it has now led to confusion for millions of small businesses in the country.

Puran Dawar, Regional Chairman (North) - Council for Leather Exports (CLE) says the new definition of MSME has left everyone very confused. "It should have been either based on investment or on turnover. Labour oriented sectors with a Rs 20 crore investment in plant and machinery may achieve even Rs 500 crore turnover, which has now been capped at Rs 100 crore only," says Dawar.

As this report points out, the revision of the definition of MSMEs in the country has been long and multiple governments have tried it for a number of years. In fact the Narendra Modi government had moved ahead to amend the definition in its very first term in power, but had to scale down due to opposition from the RSS affiliates.

The existing definition was linked to investment in plant and machinery, but the government was pushing for turnover-based classification. However, powerful lobby groups such as Swadeshi Jagran Manch and Laghu Udyog Bharti, have always argued that any change in definition to only a turnover-based would mean traders and assemblers who import from China and put together a product, could benefit at the cost of local manufacturers.

For players across the sector, the new turnover limit laid out by the FM is proving to be a point of bother. "While there are some benefits of the new definitions, some players will lose too, because of the fact that the upper limit on turnover has been kept very less. Investment limit is okay, since the government has doubled that, but the turnover limit is very small," says Rajiv Chawla of IamSMEofIndia.

Chawla adds that initially, the government had prescribed upper turnover of Rs 75 crore for small and Rs 250 crore for medium enterprises, and one cannot understand why the limit has been bought down now.

"While the new definitions do offer some privileges to MSMEs, in many cases, these cripple their operations too. Say, in case of their [MSMEs] global investment, if it's more than the prescribed limit, they would no longer be able to enjoy the relaxations meant for them.

For many firms, if either their investment increases or turnover increases, they will lose the status of an MSME. The new changes are not as beneficial to the sector as they could have been because the limit on turnover has been kept so less," says Chawla.

Existing and Revised Definition of MSMEs

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment<Rs. 25 lac	Investment<Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment<Rs. 10 lac	Investment< Rs. 2 cr.	Investment<Rs. 5 cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment< Rs. 1 cr. and Turnover < Rs.5 cr.	Investment< Rs. 10 cr. and Turnover < Rs.50 cr.	Investment< Rs. 20 cr. and Turnover < Rs.100 cr.

Arvind Sharma, Partner, Shardul Amarchand Mangaldas & Co, however, says that the increase in investment limits will bring many new units within the realm of the MSME sector, and this will lead to more inclusive growth that is relevant to the present situation.

Table 4. Incentives Available to Small Scale Firms (irrespective of their age)

Scheme	Objective
Priority Sector Lending	Direct and indirect finance at subsidized interest rates shall include all loans given to micro and small enterprises, irrespective of their age.
Credit Guarantee Fund Scheme	This scheme makes available collateral-free credit to the micro and small enterprises, irrespective of their age.
Purchase Preference Policy	A group of items (Group IV) are reserved for exclusive purchase from small scale units, irrespective of their age. Group V items are to be purchased from MSMEs, irrespective of their age, up to 75 per cent of the requirement.
Price Preference Policy	For selected items that are produced by both small scale and large scale units, price preference is provided to small firms, irrespective of their age. This price preference amounts to a 15 per cent premium over the lowest quotation of the large-scale units.
Benefits in tendering	MSMEs, irrespective of their age, can avail benefits such as availability of tender sets free of cost, exemption from payment of earnest money deposit, exemption from payment of security deposit.
Raw Material Assistance Scheme of National Small Industries Corporation (NSIC)	This scheme aims to help MSMEs, irrespective of their age, with financing the purchase of raw material (both indigenous and imported).

Source - Economic Survey of India

"Since details of investments and turnover are easily available in books of accounts that are required to be statutorily maintained, compliance should not be an issue. Turnover details should be available in the GST system. There are several other legislations that prescribe dual or multiple criteria eligibility criteria and compliance or implementation is not an issue," says Sharma.

Sharma adds that the turnover threshold will have a counterbalancing effect and companies that do not benefit from the present change in threshold, should make a representation to the Government to seek suitable relief.

Rohit Shah, Co-founder & CEO, Hemp Horizons Pvt Ltd says while the new definitions set forth are definitely confusing, a lot of companies will now have to start re-evaluating their numbers, Profit and Loss (P&L) statement etc. to try and fit in these new regulations.

This will most likely create a hoard of fixations within a lot of organizations to get the said benefits while falling in the right bracket. "Our Government has been long thinking about amending these definitions, but this will still need a lot of clarification, in order to benefit from these schemes. Similar to how GST was rolled out and slowly they started making amendments which led to a lot of transactional issues, accounting issues. We hope this won't create another set of problems to deal with in these challenging times."

The challenges may be particularly glaring in some sectors. "Take the case of diamond exporters, for example. Even a small diamond exporter will have a turnover of Rs 500 crore, which implies, then, that all such diamond exporters will fall out of the purview of the definition.

There are millions of gems and jewellery manufacturers who are MSME players. They are exporting atleast more than Rs 250 crore because firstly the raw material cost is high and secondly, they also do substantial value addition," says Ajay Sahai, Director General & CEO of the Federation of Indian Export Organisations (FIEO).

Jayanth Mutha, Director, Himlite Products does not see the move as encouraging in any way. "Does this give any benefit as such remains in question? Perhaps it will only be of real benefit to the medium scale companies since these could have gone out of the slab previously and missed out on the benefits. It will not really lead to any material benefit for micro and small units," says Mutha.

Scale is important

Falling under the purview of the definition of an MSME is important for scores of firms. A small business qualifies for priority sector lending, exemptions under labour regulations, comes under the purview of the Credit Guarantee Fund Scheme, finds a place in the purchase preference policy, price preference policy, get benefit in tendering, eligible for marketing assistance scheme among other policies.

If the threshold to qualify as an MSME is kept low, firms are incentivized to remain small in order to reap the benefit of the schemes and policies. According to the Economic Survey of 2018-19 policies often create a "perverse" incentive for firms to remain small. "As economies of scale stem primarily from firm size, these firms are unable to enjoy such benefits and therefore remain unproductive," said the Survey.

In a chapter devoted to MSME, the Survey said job creation in India, suffers from policies that foster dwarfs. "These dwarfs, i.e., firms with less than 100 workers despite being more than ten years old, account for more than half of all organized firms in manufacturing by number, their contribution to employment is only 14 per cent and to productivity is a mere 8 per cent. In contrast, large firms (more than 100 employees) account for three-quarters of such employment and close to 90 per cent of productivity despite accounting for about 15 per cent by number."

At the heart of this problem is the definition of MSME. If the threshold or the criteria to qualify is set too low in the definition, India runs the risk of firms staying small and not growing. The turnover threshold of Rs 100 crore for a medium firm seems low.

"If we really want to take the economy to the next level, we have to think at the macro level. If the level for the medium enterprises has been kept at only Rs 100 crore, we can't achieve much. If looked, on the basis of turnover, it should not be less than Rs 250 crore - or should be based on only investment in plant and machinery, irrespective of any turnover criteria," says Dawar.

Source: economictimes.com – May 15, 2020

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Extension of interest subsidy scheme for exporters to provide cheap funds: AEPC

The Reserve Bank's decision to extend the scheme providing interest subsidy for post and pre-shipment export credit till March 31, 2021 will help apparel sector to access cheaper loans, AEPC on Friday said.

Apparel Export Promotion Council (AEPC) Chairman A Sakthivel said that with the current uncertainty of rupee exchange rate vis-a-vis other currencies, taking rupee loan on packing credit lowers down exporters' interest burden and removes the need for taking a risk on foreign cover.

"It was the need of this hour of crisis. It will help apparel exporters gain access to cheaper loans," he said.

Exporters get subsidy under the 'Interest Equalisation Scheme for pre and post shipment Rupee Export Credit'.

The scheme which was to end on March 31 this year has been extended till March 31, 2021.

In November 2018, the interest subsidy was increased to 5 per cent from 3 per cent with the aim to boost MSME sector exports.

Later, the government included other merchant exporters too under the scheme and allowed them interest equalisation at the rate of 3 per cent on credit for export of certain products.

Exporters had been demanding extension of the scheme, particularly at a time when they are facing huge problems due to the COVID-19 crisis.

Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai called the extension of scheme a huge relief for exporters as the cycle of exports has elongated with slowdown in demand and liquidity.

India's exports dropped by a record 34.57 per cent to USD 21.41 billion in March, while it declined by 4.78 per cent to USD 314.31 billion for 2019-20.

Source: financialexpress.com – May 15, 2020

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India's forex reserves rise by $4.24 billion to $485 billion

India's foreign exchange reserves rose by $4.235 billion to $485.313 billion, just shy of the previous life-time high of $487 billion, in the week to May 8. Since end-March, the forex reserves have risen $7.5 billion.

The reserves had previously shrunk as the rupee remained volatile. However, the reserves have grown and are short of the life-time high of $487.24 billion recorded in the week to March 6. During the previous week, the reserves had risen by $1.622 billion.

Compared to the year-ago period, the forex reserves have risen by $65.257 billion. Over the previous week, foreign currency assets (FCA), which form a key component of reserves, rose by $4.233 billion to $447.548 billion.

Movement in the FCA, which are maintained in major currencies like the US dollar, euro, pound sterling and Japanese yen, occurs mainly on account of purchase or sale of foreign exchange by the RBI, income arising out of the deployment of foreign exchange reserves, external aid receipts of the government and revaluation of assets.

Gold reserves rose by $13 million to $32.291 billion. Special drawing rights (SDR) from the International Monetary Fund (IMF) fell by $3 million to $1.423 billion.

SDR is an international reserve asset created by the IMF and allocated to its members in proportion of their quota. The reserve position in the IMF fell by $8 million to $4.051 billion, according to RBI data.

Source: financialexpress.com – May 15, 2020

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Why bankers are disappointed with announcements on MSME loans

The credit guarantee scheme for micro, small and medium enterprises has left bankers unhappy as the guarantee is not being offered by the government, but from the credit guarantee trust fund for micro and small enterprises (CGTMSE).

The loan guarantee scheme for micro, small and medium enterprises (MSMEs) will not be available to businesses which had repayments overdue by more than 30 days as on February 29, 2020, according to the draft guidelines issued by the Small Industries Development Bank of India (Sidbi).

"We were expecting the guarantee on loans to come from the government of India, but it has come from CGTMSE instead of being a sovereign guarantee," the head of a public-sector bank (PSB) told FE. "CGTMSE has its caveats..it does not give you the full money, which is lost," he added. For stressed MSMEs and those whose loans have turned bad, a Rs 20,000-crore subordinated debt scheme has been envisaged.

The interest rate on additional emergency funding has been capped at 1% over a bank's marginal cost of funds based lending rate (MCLR) and at 14% for non banking financial companies (NBFCs). Lenders believe the interest rates are justified as there will be some capital charges. "When government guarantees a loan, capital charges become zero, but in case of CGTMSE guarantee, there will be some capital charges," a second banker told FE.

The draft guidelines state that the guarantee scheme will apply to all additional emergency credit lines sanctioned to MSMEs after March 1, 2020 till August 31, 2020. The amount of emergency working capital funding would be equivalent to 15% of the working capital for loans up to Rs 1 crore. For loans between Rs 1 crore to Rs 25 crore the emergency working capital funding would be equivalent to 10% of the working capital.

"In case the amount of emergency fund as per above threshold is not able to cover six months of salary outgo (including contractual worker) for people employed by MSME, the working capital fund has to be enhanced to the amount of 6 months of salary outgo," the draft guidelines said, adding that lenders must obtain necessary proof to ascertain the salary outgo of the MSME.

"This is to ensure that MSMEs don't lay off any employee due to the lack of funds." In case a borrower has existing limits with more than one lender, the emergency funding limit can be availed with only one lender.

Source: financialexpress.com- May 16, 2020

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Experts suggest cotton instead of paddy crop in TS

Paddy should be limited to 65 lakh acres only in a year, experts tell CM
Agricultural experts have suggested to the government and farmers that paddy should be cultivated only in about 60 lakh to 65 lakh acres per year, including vana kalam and yasangi seasons to get a remunerative price for the produce.

The experts also said that rainy season was not suitable for maize crop and cotton crop, which has demand in market, only be cultivated. Red gram crop should be cultivated as vana kalam crop in 10 lakh to 15 lakh acres.
These recommendations were made in the meeting held by Chief Minister K.Chandrasekhar Rao on regulated crop cultivation policy with agriculture experts and agriculture university officials here on Friday.

The experts gave their opinion to the Chief Minister after studying the agricultural land in the State, cultivation methods and markets in and outside the country.

They said that if paddy was cultivated by everyone, then farmers are likely to suffer losses and if it was cultivated in more than 65 lakh acres, they would not get remunerative price.

Paddy, both fine and ordinary variety, should be cultivated in 40 lakh acres in vana kalam and 25 lakh acres in yasangi based on market requirement. It would not be possible for the government to purchase entire produce every time. This time was an exception due to COVID crisis.

Cultivating cotton would give better returns to farmers and they get could earn a net income of ₹50,000 per acre as against ₹30,000 per acre for paddy. Red gram crop also has good demand in the market. Cotton can be cultivated in 65 lakh acrs to 70 lakh acres in Telangana as it has good market demand.

State government would deliberate on the suggestions given by the experts for two more days and finalise the regulated crop cultivation policy. Later Chief Minister would address a video conference of field-level officers, Rythu Bandhu Samithis on May 18 from Pragathi Bhavan. The video conference scheduled for Friday had been postponed. The video conference will be attended by District Collector, Agricultural officer, District rythu bandhu president, seed development corporation officer and others.

Meanwhile Chief Minister continued discussions on the new agricultural policy with ministers Niranjan Reddy, Eatala Rajender, E. Dayakar Rao, Gangula Kamalakar, V. Prashanth Reddy, Rythu Bandhu Samithi president Palla Rajeswar Reddy, Chief Secretary and other officials.

Source: thehindu.com- May 15, 2020

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Odisha to come up with new industrial policy in Sept

Odisha will come up with a New Industrial Policy-2020 in September, according to Hemant Sharma, state principal secretary for industries, micro, small and medium enterprises (MSME), and textiles, handlooms and handicrafts, who recently told a webinar that all stakeholders will be consulted before formulating an attractive industrial policy.

Sharma said that the state is working progressively to contain the pandemic by promoting and making huge changes in the health infrastructure, according to media reports in the state.

Updating about the current industrial operating status, industries director Reghu G said the issues faced by the industries by the pandemic and lockdown should be conveyed to the government directly or through associations.

Source: fibre2fashion.com- May 15, 2020

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Covid-19 lockdown could take away 135 million jobs, push 120 million people back into poverty: report

Up to 135 million jobs could be lost, and 120 million people could be pushed back into poverty in India, all of which will reduce consumer income, spending and savings, according to a new report by international management consulting firm Arthur D Little.

In a report titled “India: Surmounting the economic challenges posed by Covid-19: A 10 point programme to revive and power India’s post-Covid economy” , the consulting firm said that India is headed towards a W-shaped economic recovery with a potential GDP contraction of 10.8 per cent in FY21. "An opportunity loss of $1 trillion is staring India in its face. For its $ 5 trillion vision, a radical economic approach is needed, centred on an immediate stimulus and structural reforms. The Prime Minister’s visionary Atma Nirbhar Bharat Abhiyan is a good start to this new approach.” said Barnik Chitran Maitra, lead author of the report and Managing Partner & CEO of Arthur D Little, India and South Asia.

India reported its first Covid-19 case on 29 January 2020, a medical student studying in Wuhan who had returned to Kerala on 24 January. Since 25 March 2020, India has been on a national lockdown with a few relaxations since 3 May 2020. As of 10 May 2020, India had reported over 65,000 cases and more than 2,000 deaths.

According to the report, the worst of Covid-19’s impact will be felt by India’s most vulnerable in terms of job loss, poverty increase and reduced per-capita income, all of which will be reflected in a steep decline in GDP.

“The government recovery programme needs to provide a comprehensive safety net for vulnerable sections and support micro, small and medium enterprises. Clear policy announcements, comprehensive safety nets and decentralized systems of governance will be essential to not only flatten the curve, but also reverse the economic trajectory” said Ashwini Deshpande, Professor of Economics at Ashoka and Director of Centre for Economic Data and Analysis (CEDA), and one of the co-authors of a counterpoint included in the report. The report proposes a 10-point programme requiring a $280 billion of spending and investment measures which should be supported by policy reforms, and proportionate monetary and liquidity measures to secure a sustainable economic future for 1.3 billion Indians.

Source: thehindubusinessline.com- May 15, 2020

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Kerala rolls out post-Covid MSME revival package – Details

The Kerala government has announced a Rs 3,434-crore package for the post-Covid revival of the MSME (micro, small and medium enterprises) sector. The package offers one-time settlement on loan defaults from the state's two premium industrial promotion agencies – KSIDC and KINFRA.

The package promises margin money assistance and concession on interest on additional loans, according to a release from the chief minister's office. A six-month extension will also be allowed for payment of interest on investment loans.

With immediate effect, the three-month moratorium for repayment of the principal amount and interest to all units under the KSIDC," chief minister Pinarayi Vijayan said. "There will be no penal interest while repaying loans after the moratorium. Further, the penal interest of entrepreneurs, who had availed of loans from the KSIDC, will be totally exempted for six months," he said.

Three months' rent in standard design factories will be waived. Earlier, the state government had announced that rent for units functioning in government-owned IT parks would be waived for this period.

The repayment tenure for entrepreneurs, who operate from the land of KINFRA or KSIDC, will be extended. Advance lease premium amount will be trimmed," said Vijayan. The minimum credit entitlement limit for MSMEs have been brought down to Rs 50 lakh from Rs 1 crore.

Other major features of the MSME package include special loans for capital investment by new units, interest subsidy for manufacturing units and 6% concession for six months on loans availed by units for diversification and development. Industrial units, which have availed KSIDC loans, will be entitled to special loans to meet working capital needs and for building of assets.

Source: financialexpress.com- May 16, 2020

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