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IBTEX No. 138 of 2019 July 16, 2019

SD 68.54| EUR 77.17 | GBP 85.75 | JPY 0.63

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20909	43700	**81.24**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21330	44580	**82.87**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	63.95
ZCE Cotton: Yuan/MT (September 2019)	13,075
ZCE Cotton: USD Cents/lb	86.23
Cotlook A Index – Physical	**73.65**

Cotton Guide: Finally, we see a triple digit rise in the price of the ICE futures. The ICE December contract settled at 63.95 cents/lb with a change of +127 points. Infact all the Major contracts settled with triple digit gains viz. October, December, March and May. The ICE March contract settled at 65 cents/lb with a change of +126 points whereas the ICE May contract settled at 65.80 cents/lb with a change of +126. The ICE December contract even touched a high of 64.09 cents/lb. Total Volumes amounted to 19,494 contracts. We expected the contracts to be in a tight range yesterday. However, the news of Hurricane Barry, adversely affecting the crops have made the prices to surge towards the North. This morning when we write this report, prices are less volatile at 63.56 cents/lb. Another reason attributed to this price rise was short covering.

The MCX contracts on the other hand, followed the trend brought forth by ICE futures. The most active MCX July contract settled at 21,330 Rs/Bale with a change of +100 Rs. The MCX August contract and new marketing year contract the MCX October contract settled at 20,710 Rs/Bale and 20,240 Rs/Bale with a change of +40 Rs and +150 Rs respectively. The volumes have been better from Friday's session. Yesterday's volumes were reported at 1386 lots.

ZCE Futures displayed lower volumes by 113,832 contracts at 450,928 contracts. The prices however, remained almost unchanged with the ZCE September contract emanating a change of +20 thus settling at 13,075 yuan.

The Cotlook Index A has been negatively adjusted at 73.65 cents/lb with a change of -0.40 cents/lb due to Friday's decline in prices. The Cotlook Index A 2019/2020 has also been negatively adjusted to 73.25 cents/lb with a change of -0.35 cents/lb. Domestic spot prices of Shankar 6 are at 43,700 Rs/Candy.

For the international contracts we feel that this price rise is for a short term. The damage it has had on the crops needs to be carefully monitored. For the long term, the demand for cotton still lacks, which makes us presume that the bearish trend would still continue. In the past quarter the ICE Prices declined by 20%, Domestic Spot prices by 5% and Yarn Prices by 11%. It's quite difficult to say that the prices have now bottomed out. We can even expect a price drop up-till 61.50 cents/lb (long term).

For today, fundamentally speaking, we still need to watch the progress on the weather conditions especially the flooding in the Mississippi delta. Heavy rains are predicted till Wednesday in Arkansas, Mississippi and Tennesse. Based on the assessment of the crop damage, the markets will move in either direction. We expect prices to be above the 63.50 cents/lb range today. The MCX contracts will follow the direction of ICE.

Released after the close, was the USDA US Crop Progress report for the week ended July 14th, 2019. Squaring was at 60 percent, up 13% from the previous week, down 10% from year ago but again falling further behind the 69 percent 5-year average. Cotton settling bolls reached 20 percent versus its 5-year average of 25 percent. Crop condition is 3 percent very poor, 12 percent poor, 29 percent fair, 47 percent good, and 9 percent excellent.

On the technical front, ICE Cotton futures witnessed recovery towards the 5 day EMA with RSI reversing from the oversold zones towards 38. Meanwhile price is trading below the 9 day EMA, with bearish crossover of short term (5 DEMA) below (9 DEMA) along with weaker RSI which weighed over prices to test levels of 63. RSI in the daily charts is still under 40, which needs to move beyond 50 to change the bearish bias in cotton price. So in the near term resistance exists around 64.20 (9 DEMA), which may restrict price to move higher. Only a close above 64.20 would push price towards 65.00. On the downside 62.35 is a strong support, a close below would bring further selling pressure in prices. So for near term price is expected to consolidate in the range of 62.30-65.00. Either side break will bring further clarity in the trend. In the domestic market MCX July future is expected to trade in the range of 21200-21480.

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

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INTERNATIONAL NEWS

China to remain top cotton importer in 2019-20: USDA

China's cotton imports in 2019-20 are likely to surpass the previous year's robust level, and the country will remain the world's largest importer, the US department of agriculture (USDA) said in a report.

However, US cotton exports to China are weakening while that of Brazil and Australia are expanding both in terms of volume and market share.

"The current 2018-19 estimate, boosted this month, is expected to be the largest in 5 years as China supplements domestic supplies amid ongoing auctions of State Reserve stocks," the Foreign Agricultural Service (FAS) of the USDA said in its July 2019 report 'Cotton: World Markets and Trade'.

Despite the strong upward trend in Chinese cotton imports, US exports to china have weakened.

"The additional 25-percent tariff on US cotton (implemented July 2018) has curtailed its historically dominant position as China's leading supplier, with estimates suggesting these duties add RMB 4,000 ($600)/ton," the report said.

Moreover, record 2018-19 exportable supplies from Brazil have improved its competitiveness relative to US cotton, while Australia's proximity and large carryin supplies have supported recent strong shipments.

Notwithstanding increased competition and tariffs, 1.3 million bales of US cotton were imported by China from August 2018 to May 2019.

"Although US 2019-20 global exports are expected to grow from the previous year, shipments to China may be impeded amidst projected record 2019-20 exportable supplies from Brazil and because of current trade policies," says the report.

Source: fibre2fashion.com- July 16, 2019

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China posts slowest economic growth since the first Bush presidency

China's economy decelerated to its slowest growth rate in 27 years, partly due to a slump in exports, as Beijing and Washington remain locked in a trade war that has no end in sight.

The data published Monday appears likely to bolster President Trump's belief that his Chinese counterpart, Xi Jinping, is under pressure to strike a trade deal to shore up the world's second-largest economy.

"The trade war is having a huge impact on the Chinese economy," Edward Moya, a market analyst at currency-trading firm Oanda, wrote in a research note. "As trade negotiations struggle for meaningful progress, we are probably not near the bottom for China's economy."

Official figures from the National Bureau of Statistics — which economists tend to take with a grain of salt, viewing them as likely too rosy — showed that the annual growth rate slowed to 6.2 percent in the three months to the end of June, down from 6.4 percent the previous quarter.

This is within the 6 to 6.5 percent band the government has set for this year and was in line with market expectations of a gradual slowdown. Still, it is China's lowest growth rate since records began in March 1992.

Analysts said that the slowing momentum would make it more difficult for the government to hit its target of doubling the size of the economy between 2010 and next year.

Mao Shengyong, a spokesman for the National Bureau of Statistics, characterized the economy as operating "in a reasonable range" and said it was continuing on a "stable, steady and progressive development trend."

"However, we must also see that the current domestic and international economic situation is still complicated and severe, global economic growth has slowed down, external instability and uncertainties have increased," Mao told reporters Monday. "The economy is facing new downward pressure."

China's export figures were particularly bad, contracting 1.3 percent in the three months to the end of June compared with a year earlier. Shipments of suitcases, plastics, furniture, footwear and textiles were the worst affected, economists at UBS wrote in a research note.

Exports to the United States fell by another 8.2 percent in the last three months, particularly after tariffs on $200 billion worth of Chinese exports to the United States rose from 10 percent to 25 percent in May. American data had previously shown the amount of Chinese products on all tariff lists being shipped to the United States had declined by a further 33 percent in May, the UBS economists noted.

But the trade war is also affecting the United States. Customs data from Beijing published Friday showed that Chinese imports of American goods fell 31.4 percent in May compared with a year earlier, widening China's trade surplus with the United States.

Trump and Xi agreed at a meeting in Japan in June to reopen talks on a trade deal, with the American president holding off on imposing additional tariffs on Chinese goods in the meantime.

But analysts say there is little sign of any progress on the key issues, including China's support for state-owned enterprises and its practice of forcing foreign investors to hand over technology as the price for entering the huge Chinese market.

"Uncertainty caused by the U.S.-China trade war was an important factor, and we think this will persist, despite the recent tariff truce," said Tom Rafferty, a China expert at the Economist Intelligence Unit. "Businesses remain skeptical that the two countries will reach a broader trade agreement and recognize that trade tensions may escalate again."

Source: washingtonpost.com- July 15, 2019

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China's GDP growth slips to a 27-year low of 6.2%

China's economic growth slowed to 6.2% in the second quarter, its weakest pace in at least 27 years, as demand at home and abroad faltered in the face of mounting US trade pressure.

While more upbeat June factory output and retail sales offered signs of improvement, some analysts cautioned the gains may not be sustainable, and expect Beijing will continue to roll out more support measures in coming months.

China's trading partners and financial markets are closely watching the health of the world's second-largest economy as the Sino-US trade war gets longer and costlier, fuelling worries of a global recession.

Monday's growth data marked a loss of momentum for the economy from the first quarter's 6.4%, adding to expectations that Beijing needs to do more to boost consumption and investment and restore business confidence. The April-June pace, in line with analysts' expectations, was the slowest since the first quarter of 1992, the earliest quarterly data on record.

"China's growth could slow to 6% to 6.1% in the second half," said Nie Wen, an economist at Hwabao Trust. That would test the lower end of Beijing's 2019 target range of 6-6.5%.

Cutting banks' reserve requirement ratios (RRR) "is still very likely as the authorities want to support the real economy in the long run," he said, predicting the economy would continue to slow before stabilizing around mid-2020.

China has already slashed RRR six times since early 2018 to free up more funds for lending, and analysts polled by Reuters forecast two more cuts by the end of this year.

Beijing has leaned largely on fiscal stimulus to underpin growth this year, announcing massive tax cuts worth nearly ¥2 trillion ($291 billion) and a quota of ¥2.15 trillion for special bond issuance by local governments aimed at boosting infrastructure construction.

The economy has been slow to respond, however, and business sentiment remains cautious.

Trade pressures have intensified since Washington sharply raised tariffs on Chinese goods in May. While the two sides have since agreed to resume trade talks and hold off on further punitive action, they remain at odds over significant issues needed for an agreement.

US President Donald Trump in a tweet linked China's slowing growth to the US tariffs.

"The US tariffs are having a major effect on companies wanting to leave China for non-tariffed countries," Trump wrote. "These tariffs are paid for by China devaluing and pumping, not by the US taxpayer!"

Despite the trade dispute, Chinese net exports accounted for a striking 20.7% of the first-half GDP growth, as exporters had rushed to sell ahead of higher US tariffs and imports had weakened more sharply amid sagging domestic demand.

For June, both exports and imports fell, and an official survey showed factories were shedding jobs at the fastest pace since the global crisis a decade ago

Source: livemint.com- July 15, 2019

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US cotton exports to Vietnam up 294 per cent in last five years

US cotton exports to Vietnam increased 294 per cent over the last five years. Vietnam is the largest export market for US cotton. Cotton Council International (CCI) conducts an annual Cotton Day in Vietnam with the intention of educating the largest and most influential mills and manufacturers in the country about the benefits of US cotton.

Five Vietnamese mills have participated in a mill exchange program in the past two years, learning about the benefits of using US cotton from peer mills in neighboring countries. This program has been particularly effective as participating mills in Vietnam have increased US cotton use from ten per cent to 50 per cent of their total volume.

Since 2013-14, Vietnam's cotton imports have increased 217 per cent. Vietnam has overtaken China to become the largest cotton importer in the world. As Vietnam has risen to become the world's largest importer of cotton, CCI has increased its presence and value in this country. These efforts have paid off in a big way as Cotton USA licensees in the country have increased dramatically and in turn US cotton has taken a much larger market share in Vietnam, increasing sales by nearly 300 per cent.

Source: fashionatingworld.com- July 15, 2019

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Vietnam: Quality key to enhancing garment, textile exports to Japan: experts

Only by developing high quality and excellent designs could Vietnamese garment and textile firms boost their exports to Japan, a market that holds strict standards for imported products, according to the insiders.

As a large trade partner of Vietnam, Japan is expanding imports for a wide range of products originated from the Southeast Asian nation, and garment and textile industry holds huge potential.

The Ministry of Industry and Trade reported export revenue during January-June totaled nearly 18 billion USD, up 8.61 percent from the same time last year. Of the total, shipments to Japan reached 1.89 billion USD, just after the US (over 11.7 billion USD), and the EU (2.56 billion USD).

Chairman of the Vietnam Textile & Apparel Association (VITAS) Vu Duc Giang said Vietnam could sell high-quality shirts, suits, sport wear, kids' clothing and towels to Japan; however, exporters should be well prepared before entering the market due to its complicated distribution system and high costs of trade promotion.

Despite weak purchasing power in the East Asian country, exports of garments and textile still enjoyed robust growth, and many businesses have won contracts to ship products to the market by the end of this year, including Viet Tien, Nha Be and Garment 10.

According to Than Duc Viet, General Director of Garment 10 Corporation, Japan has been a traditional market of the company for years. The firm has cooperated with leading fashion brands and retailers in the country like Uniqlo and Aeon. Currently, shipments to Japan account for over 12 percent of the company's total exports.

Viet stressed that improving fashion design capacity and competitive edge is the only ways for Vietnamese exporters to increase added value of garment exports, as well as sustainably increasing export revenue in Japan.

As many Japanese partners have placed orders for small quantity of clothing with original designs and required shipments in a very short time, local firms must have sufficient materials to fulfill the contracts, or else they would lose these high-end customers.

The Vietnam National Garment and Textile Group (Vinatex) said garment and textile have long been among key exports of Vietnam. Thanks to advanced technology and skillful labourers, the goods have better quality, thus winning the favour of many fastidious markets such as the US, the EU and Japan.

Vinatex is gearing towards sustainable development through balancing exports in all markets, and has been paying special attention to Japan that has sound political relations with Vietnam. Besides, Japan was the first market of Vietnamese garment and textile when the country had not joined the World Trade Organisation.

Its member company, Dong Xuan Knitting firm (Doximex), has cooperated with Japanese-based Katakura Industries Co. for 10 years to improve product quality. Katakura expects to work more with Doximex in the production of underwear.

Source: en.vietnamplus.vn- July 15, 2019

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Kenya's cotton output likely to triple over 2018 figures

Cotton production in Kenya this year is expected to triple over last year's figures, marking one of the highest yields in the last decade, according to the Fibre Crops Directorate, which foresees production to rise from 10,672 tonnes realised last year to 30,000 tonnes. Increased production is being attributed to better investment and incentives to farmers.

The high cotton harvest is the result of investment on farmers to spur production in line with the government's Big Four agenda, said Naomi Kamau, head of the directorate.

However, production will be slightly less than the projection because of harsh weather, she said.

The projection of 39,000 bales of lint this year has been revised down to 30,000 because of drought, primarily in the eastern region, a Nairobi-based English-language business newspaper quoted Kamau as saying.

The directorate has also created a ready market for farmers by having them sign contracts with ginneries, which ensures the crop is purchased immediately after being harvested.

Cotton production has been falling in the country since the 1980s with Kenya relying on imports to bridge the deficit.

The country imports over half of the required quantity of cotton to keep its factories running. There are about four active ginneries in the country now in Meru, Baringo, Makueni and Kitui.

Source: fibre2fashion.com- July 16, 2019

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Iran aims to be self-sufficient in cotton by 2025

Iran's annual cotton production will reach 386,000 tonnes by 2025, making it self-sufficient in cotton use in textiles, according to Ebrahim Hezarjaribi, cotton project executive at the agriculture ministry. In the last Iranian year ended March 20, the self-sustainment coefficient was 45 per cent, which is likely to reach 58 per cent this year, he said.

The cotton sowing area is expected to reach 82,000 hectares this year and the harvest is expected to be 228,000 tonnes, he said.

The sowing area will reach 90,000 hectares by 2021 and 100,000 hectares by 2025. The production will increase by 281,000 tons by 2021, Iranian media reports quoted Hezarjaribi as saying.

Iran has the capacity to increase cotton production, but the low price of cotton compared with other agricultural products discourages farmers from embarking upon cotton cultivation.

Source: fibre2fashion.com- July 15, 2019

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Indonesian textile manufacturers will tour US Cotton Belt

Textile executives representing 20 companies from Indonesia will travel across the US Cotton Belt on July 21-25 to gain a deeper understanding of why US cotton is the world's preferred fibre. The Cotton USA Special Trade Mission is coordinated by Cotton Council International (CCI), the National Cotton Council's (NCC) export promotions arm.

Indonesia currently is the fifth largest market for US cotton. US export sales to that country are about 1.7 million bales for the 2018-19 marketing year. The tour's participating companies collectively consume about 2.1 million bales, representing 64 per cent of total cotton consumption in Indonesia whose textile mills are expected to import some 3.2 million bales in 2018-19, said Cotton USA in a press release.

"The tour participants represent an important market for US cotton and we want them to see firsthand US cotton's first-class production and processing operations and efforts on environmental responsibility and continuous improvement, including the new US Cotton Trust Protocol," said CCI president Hank Reichle, a Mississippi cooperative executive. "From this tour, these Indonesian textile manufacturers should acquire a better appreciation of US cotton fibre's premium value and how it can make their operations more competitive in the world marketplace. Our hope is that the multiple face-to-face meetings with US cotton exporters will strengthen relationships with these customers."

The Indonesian delegation will begin its tour in New York with a CCI briefing and an ICE Futures seminar. They will see cotton research in North Carolina and tour the USDA cotton classing office in Bartlett, Tennessee, and visit a cotton farm, gin and warehouse in South Texas.

The group also will meet with exporters in the Cotton Belt's four major regions and with these industry organisations: AMCOT, American Cotton Producers, American Cotton Shippers Association, Cotton Incorporated, Lubbock Cotton Exchange, the NCC, Plains Cotton Growers, Inc, Southern Cotton Growers Association, Texas Cotton Association, Western Cotton Shippers Association and Supima.

Source: fibre2fashion.com - July 15, 2019

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Pakistan: Razak stresses for robust research to improve quality, productivity of cotton

The Adviser to Prime Minister on Commerce, Textile, Industries and Investment Abdul Razak Dawood on Monday stressed upon the need to undertake robust research to improve the quality and productivity of the cotton in order to maximize the profits of farmers and producers of cotton.

This goal can only be achieved by introducing new varieties of seeds and other inputs including pesticides, he said this while addressing to an Inter-Ministerial Meeting (IMM) on cotton here, said a press release issued by Ministry of commerce.

An Inter-Ministerial Meeting (IMM) on cotton, held in Commerce Division, was co-chaired by Adviser to Prime Minister on Commerce, Textile, Industries and Production and Investment Razak Dawood, Minster for National Food and Research, Sahibzada Muhammad Mehboob Sultan.

The meeting deliberated on the issues pertaining to demand and supply of cotton in the market in order to devise a viable policy intervention to ensure the availability of cotton to the textile sector on competitive rates.

While on the occasion, the Minister for MNSFR informed the participants that Pakistan Agriculture Institute (PSI), attached department of MNSF&R, is working to enhance the productivity and quality of cotton by developing new verities of cotton seed for the next sewing season of cotton.

In return cost of production will be decreased significantly, which will increase the profitability of farmers of cotton, he said.

On the other side, it was also emphasized to ensure the reasonable profit on the production of cotton by announcing a minimum indicative price of cotton to farmers /producers.

The representative of Textiles Division informed that Pakistan cotton consumption was 16.31 million bales in 2007-08 which decreased and in 2015-16 it was the lowest, 12.08 million bales. This year during July-April 2018-19 the imports are only 2.1 million bales last year during the same period the imports were 2.9 million bales.

It was further apprised that in the year 2018-19 the production target was set to14.37 million bales which was revised to 10.78 million bales and then it came out to be 9.98 million bales due to low yield as result of chronic issues of poor and outdated seed technology, pesticides etc.

Source: brecorder.com - July 15, 2019

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Bangladesh Garment Manufacturers Sign Fashion Climate Charter

A trade body of export-oriented apparel makers in Bangladesh has joined the Fashion Industry Charter for Climate Action, a milestone agreement to collectively address the climate impact of fashion production across the entire value chain, beyond previous industry-wide commitments.

The Bangladesh Garment Manufacturers & Exporters Association (BGMEA) stands alongside fellow industry groups such as Business for Social Responsibility, China National Textile and Apparel Council, Global Fashion Agenda, Global Organic Textile Standard, the Outdoor Industry Association, Textile Exchange, World Wildlife Fund International and Zero Discharge of Hazardous Chemicals in throwing its support behind the charter's principles and targets, which the climate-change arm of the United Nations based on the framework of the 2015 Paris Accord.

"The ready-made garment industry of Bangladesh is steadily heading towards sustainability," Rubana Huq, president of the BGMEA, said in a statement. "By joining the Fashion Industry Charter for Climate Action, BGMEA commits to working collaboratively with brands, suppliers and other organizations towards GHG emission reductions pathway that puts fashion industry towards a low-carbon future."

The agreement's 40 signatories, which include Adidas, Burberry, Esprit, Guess, Gap, Hugo Boss, H&M, Inditex, Kering, Levi Strauss, Puma, Stella McCartney, Target and Maersk, have committed to an initial target of 30 percent greenhouse-gas emission reductions by 2020, along with goals related to decarbonizing the production phase, selecting climate-friendly and sustainable materials, low-carbon transport, improving consumer dialogue and awareness, working with the financing community and policymakers to catalyze scalable solutions and exploring circular business models.

"We welcome BGMEA to the Fashion Industry Charter family and we look forward to their leadership and contribution in inspiring manufacturers in Bangladesh and beyond, to raise climate ambition in a united effort to limit global warming to 1.5 degrees [Celsius]," said Niclas Svenningsen, head of global climate action at UN Climate Change.

The UN has convened six industry-led working groups to drive "concrete progress" on defined measures such as phasing out coal-fired boilers or other sources of coal-fired heat and power generation from 2025.

Source: sourcingjournal.com- July 15, 2019

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NATIONAL NEWS

Exports contract 9.71% in June; trade deficit narrows to $15.28 bn

High base effect, weakening of global trade contributed to fall, says Govt

India's exports contracted 9.71 per cent in June 2019 (year-on-year) to $25.01 billion, the first fall this fiscal, as outbound shipments of major items such as petroleum products, gems & jewellery, readymade garments, engineering goods and cotton yarn fabric took a hit.

Imports declined 9.06 per cent during the month to $40.29 billion, which resulted in trade deficit shrinking 7.98 per cent to $15.28 billion, as per figures released by the Commerce Department on Monday.

"The decline in exports in June 2019 is due to a number of factors, including a high base effect of an extraordinarily good month in June 2018, the projected weakening of global trade growth to 2.6 per cent in 2019 and many major economies, including the US, Japan, China and the EU, showing negative exports," Commerce Secretary Anup Wadhawan said at a press conference.

The US withdrew the Generalised System of Preferences scheme, in June 2019, which may also have contributed to the dip in exports. GSP offered duty-free market access to over 3,000 products from India.

Petroleum products exports, which declined significantly in June, was partly due to the temporary shutdown of Jamnagar refinery and ONGC Mangalore Petrochemical Ltd, the Secretary said, adding that engineering goods were affected because of a fall in global prices of steel. Wadhawan said the Commerce Ministry was working with exporters to ensure "good growth" in the coming months.

Petroleum imports recorded a fall of 13.33 per cent to $11.03 billion in June as global Brent price decreased by 15.81 per cent during the month.

India's total exports in the April-June period stood at $80.88 billion, 1.2 per cent lower than in the first quarter of the previous fiscal.

Total imports in the April-June 2019-20 period stood at $127.3 billion, 0.69 per cent lower than imports in the same period last year.

The country's exports of goods in 2018-19 registered a 9.06 per cent growth to hit a new high of $331 billion, breaching the previous high of $314 billion clocked in 2013-14.

Performance, however, started slowing down in the first two months of the on-going fiscal, with continued slowdown in world trade and increased protectionism.

Source: thehindubusinessline.com- July 15, 2019

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Why cotton imports and exports may decline

India usually exports around 60-70 lakh bales annually. Although cotton imports are currently taking place, the pace is slow and imports are likely to be down as well, experts said.

With international prices currently ruling lower than the domestic ones, the country's exports are likely to drop till the end of cotton season up to September 30, 2019, to 40-50 lakh bales, according to industry experts. Imports were likely to be on the lower side as well, trade bodies said.

India usually exports around 60-70 lakh bales annually. Although cotton imports are currently taking place, the pace is slow and imports are likely to be down as well, experts said.

India has signed import deals for around 25 lakh bales of which nearly 20 lakh bales have arrived and the rest is expected to be shipped till September 2019, traders say.

Domestic cotton prices have been ruling firm on speculation of a shortfall in production for the 2018-19 (October-September) marketing year. However, steadily falling global prices along with weak demand for cotton yarn are likely to drag domestic prices lower in the months ahead.

Cotton prices were quoted at Rs 44,000 per candy, which were around Rs 47,000 per candy till 10 days ago. International prices are currently ruling at Rs 42,000 per candy, Khandesh Cotton Gin/Press Owners Association president Pradeep Jain said.

Shipments of nearly 22 lakh bales had arrived and another 10 lakh bales were expected till the end of the season, he said. The Southern India Mills' Association (Sima) has earlier estimated cotton imports at 22 lakh bales. The Association has estimated that actual imports can be between 28 lakh bales and 30 lakh bales when the season ends. The Cotton Advisory Board (CAB) has estimated it to be 22 lakh bales.

According to the data released by Cotton Association of India (CAI), the total cotton supply till end of the cotton season up to September 30, 2019, is estimated at 376 lakh bales of 170 kg each consisting of the opening stock of 33 lakh bales at the beginning of the season.

CAI estimated imports at 31 lakh bales, which are higher by 16 lakh bales against the previous year's import estimated at 15 lakh bales. Domestic consumption estimated by CAI for the entire crop year September 30, 2019, is 315 lakh bales while the CAI has estimated exports for the season at 46 lakh bales, which are lower by 23 lakh bales compared to the previous year's cotton exports estimate of 69 lakh bales.

The carryover stock estimated at the end of the season is estimated at 15 lakh bales. In global terms, Indian-origin cotton is being offered at 83-85 cents a pound, compared with 88 cents per pound in April-May, even as rates for the US and West African varieties, preferred by Indian traders, continue to hover at 80-82 cents.

According to traders, imports may gain pace again only if monsoon progress in India remains significantly weak in July as well, as it could threaten the domestic kharif crop, which largely depends on rains. Jain said there had been no rainfall in the last couple of weeks and a clearer picture should emerge after a fortnight.

Source: financialexpress.com- July 16, 2019

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5 States make the most of PM's employment-generation scheme

One crore joined workforce in 30 months,with pace picking up ahead of LS elections

Beneficiaries under PMRPY
(August 1, 2016 to March 3, 2019)

State	Number of employees
Maharashtra	21,06,405
Tamil Nadu	14,17,808
Karnataka	11,51,215
Gujarat	10,28,838
Haryana	9,70,736
India	**1,18,05,003**

Industry-wise PMRPY statistics

Industry	Employee benefited
Expert services	47,06,945
Trading - Commercial	8,09,949
Textiles	7,79,321
Building and construction	7,57,435
Garment making	6,18,104

Source: Ministry of Labour and Employment data presented in the Lok Sabha on July 15, 2019

Out of over one crore new employees who joined the workforce as part of the Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) between August 2016 and March 2019, about 57 per cent came from five States — Maharashtra, Tamil Nadu, Karnataka, Gujarat and Haryana.

Under the PMRPY launched for incentivising employers for generating employment, the government pays the entire employer's contribution (12 per cent or admissible contribution) towards the Employees' Provident Fund (EPF) and the Employees' Pension Scheme (EPS) for all eligible new employees for all sectors for three years.

The total number of beneficiaries under the scheme is 1,18,05,003, as on March 31, 2019. Maharashtra reported 18 per cent of the total new employees during this period, followed by Tamil Nadu (12 per cent) and Karnataka (10 per cent). While Gujarat reported 9 per cent of new employees, Haryana and Andhra Pradesh reported 8 per cent each.

Uttar Pradesh (7 per cent), Delhi (6 per cent), Rajasthan (4 per cent), West Bengal (3 per cent) and Madhya Pradesh (3 per cent) are among the States which performed better than Uttarakhand, Kerala and Punjab, which reported just 2 per cent of the total new workforce. Odisha, Chhattisgarh, Himachal Pradesh, Bihar, Jharkhand and Goa have reported just one per cent of new employees.

Of the total new employees who joined the workforce during this period, about 40 per cent joined 'expert services', while just two per cent joined in financial establishments. Trading — commercial; textiles; and building construction each created about 7 per cent of the work opportunities during the period. The garment-making and engineering sectors accounted for 5 per cent each of the total new workforce.

Interestingly, ahead of the Lok Sabha elections, during 2018-19, the total number of beneficiaries added under the scheme was 87,46,888, with an average of more than 7 lakh beneficiaries per month. This constitutes about 74 per cent of the total workforce registered under the PMRPY.

Source: thehindubusinessline.com- July 15, 2019

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Textile spinning mills mull cutting on production

Say excess spinning capacity, poor demand for yarn from overseas leading to accumulation of yarn stocks, poor liquidity

Textile spinning mills are considering cutting back production and shutting down their mills once a week against the current trend of operating a mill 24x7.

The decision to take this extreme step has come as a result of excess spinning capacity in the country and poor demand for yarn from overseas markets leading to the accumulation of yarn stocks and poor liquidity.

Rajiv Garg, president, Northern Indian Textile Mills' Association (NITMA) in a press release said: "China, which has been a major importer of Indian yarns for the past few years, has cut down imports in the past few months, thus worsening the situation, leading to the accumulation of yarn stocks in Indian spinning mills."

The spinning industry is under crisis and the situation is moving from bad to worse and spinners are making losses. The industry is therefore considering various options to reduce daily production, including closing the plant for one day in a week or more, the release said.

Additionally, to add to the woes of the textile mills, pending cases under Revised Restructured Technology Upgradation Fund Scheme (RR-TUFS) as on November 30, 2018, as per www.txcindia.gov.in, total 6,334 UIDs have been issued having total project cost of Rs30, 274.33 crore and subsidy requirement of Rs3,917.01 crore.

Some textile units are considering of lowering the capacity to even 50 per cent in the wake of unsafe market situation and to have less borrowing/ outstanding and stocks. Weather and quality of inputs also seem unfavorable at present, said Garg.

Textile industry is also raising fingers on MSP being above global prices at present. This downward trend might continue for the next 3-4 months with slack demand and market situation will improve as soon as the demand and supply balance gets restored, feels NITMA.

Source: tribuneindia.com- July 16, 2019

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‘Ailing cotton sector needs revival measures’

As yields plummet experts emphasis use of New Gen seeds, better farm practices urged

Pest menace and poor farm management, coupled with water scarcity and lack of push for new seed varieties are reducing cotton yields, thereby threatening the future of the country’s cotton production.

Repeated pest attacks, including pink bollworm (Pectinophora gossypiella), spotted bollworm (Earias insulana) and American bollworm (Helicoverpa armigera), and other climatic diseases affect cotton fields across India.Experts have voiced concern over the future of cotton production in the country.

India’s per hectare productivity of cotton during 2018-19 works out to merely 420.72 kg per hectare or (2.47 bales per hectare), the Cotton Association of India (CAI) has said. Cotton crop is estimated to be the lowest in more than a decade at 312 lakh bales (each of 170 kg) for the 2018-19 season.

"Cotton productivity in India this year is the lowest in a decade. Bringing larger area into cultivation of cotton to increase production is not the solution for India. What is required is to improve the health of cotton sector to increase productivity," said Atul Ganatra, President, CAI, adding that it required urgent attention and concerted efforts by all stakeholders. "If the trend continues, the day is not far off when India will turn into a net cotton importing country," he added.

Output estimate

Dwindling yield

Year	Yield (kg/ha)	Year	Yield (kg/ha)
2009/10	502.91	2014/15	510.82
2010/11	513.10	2015/16	459.16
2011/12	512.32	2016/17	541.75
2012/13	525.13	2017/18*	506.07
2013/14	565.72	2018/19*	468.00

*Provisional Source: Cotton Advisory Board (CAB)

The Cotton Advisory Board (CAB), which is chaired by the Textile Commissioner of India, has projected the cotton crop for 2018-19 at 337 lakh bales, which brings the yield levels at 468 kg (or 2.75 bale) per hectare, which is the lowest in at least a decade.

Notably, as against India's projected cotton yield of about 485-500 kg per hectare, China's yield hovers around 1,755 kg. Due to lower yield and lack of precision farming in cotton cultivation, India is set to lose its numero uno cotton grower tag to China.

Farming techniques

Indian Cotton Federation President, J Thulasidharan expressed the need for spreading awareness among farmers about better farming techniques and allowing new seed varieties for better yields.

"The yield depends on agronomy and climatic conditions. Seed plays an important role but the government isn't acting towards introducing and allowing new generation seeds. The current Bt seed has exceeded its life. Also, we need farmers to be educated about precision farming techniques. We have to do it very scientifically to achieve highest possible yield," said Thulasidharan.

New seed varieties

However, research is progressing towards new hybrids in cotton. But the researchers do not suggest a complete switch from Bt to non-Bt or indigenous seeds. VN Waghmare, Director (Acting), Central Institute for Cotton Research (CICR), Nagpur, said, “We have few hybrid varieties in BG2 such as DCH-32 and other hybrids from public and private sector.

These hybrids have similar extra-long staple quality. DSH-32 hybrids have better yield potential than our existing varieties. Because the government is also planning to subsitute the imports by our own varieties, so we are recommending hybrids.”

Waghmare added that the cotton varieties are sensitive to various agro-climatic conditions. “These issues are farm management issues, which we can manage. In other countries, unlike India, they have limited time for sowing and harvest, therefore, pest management becomes more or less one-time,” he said.

The focus now shifts from seeds to farm practices. Under experimental conditions, India has achieved yield of upto 1,200-1,500 kg per hectare in some isolated places. But for a wider coverage, farmers’ awareness and government push for new variety seeds is seen imperative.

Source: thehindubusinessline.com- July 15, 2019

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Exports fall for first time in nine months amid trade tensions

India’s merchandise exports contracted for the first time in nine months in June while imports shrank first time in four months, signalling that rising protectionism and trade tensions between the US and China are impacting India’s trade prospects as well.

Data released by the commerce ministry showed exports in June fell 9.71% to $25.01 billion while imports dipped 9.06% to $40.29 billion, leaving behind a trade deficit of $15.28 billion during the month.

Comparatively, China’s exports in June fell 1.3%, while imports shrank 7.3%, leading to a trade surplus of $50.98 billion, significantly higher than what analysts projected.

Commerce secretary Anup Wadhawan said the temporary shutdown of ONGC Mangalore Petrochemical Ltd and Jamnagar refinery for maintenance in June adversely impacted exports of petroleum products.

“The shutdown of Jamnagar refinery is likely to abate by mid-July. The fall in the global Brent price by 15.6% in June is also a factor in the declining value of petroleum product exports," he added.

During June, petroleum exports declined 33% while non-oil, non-gems and jewellery exports contracted by 4.86%.

Among other major items, exports of gems and jewellery (10.7%), readymade garments (-9.18%), chemicals (-8.17%) and engineering goods (-2.65%) also contracted.

“The negative growth in June is also consistent with certain global trends, which have impacted India’s exports in recent months. We expect exports growth to revive to the trend growth rate of 2-3% in coming months," Wadhawan said.

The World Bank in its Global Economic Prospects released in June has projected weakening of global trade in 2019.

Global trade is projected to grow at 2.6% this year—a full percentage point below its own previous forecast.

Aditi Nayar, principal economist at Icra Ltd, said lower crude oil prices explain a portion of the contraction in the absolute level of exports and imports.

“Nevertheless, the contraction in imports of items such as transport equipment, machinery and fertilisers should be viewed with caution, as they suggest that the underlying demand dynamics are weak.

The increase in customs duty on gold may curtail imports in the next few months, which would modestly shrink the size of the trade deficit," she added.

The escalating trade war between the US and China, and rising protectionism have cast a shadow on India’s prospects for higher exports.

In March, the World Trade Organization (WTO) projected trade growth to fall from 3.9% in 2018 to 3.7% in 2019. It had cautioned that these estimates could be revised downward if trade conditions continue to deteriorate.

The International Monetary Fund also cut the global growth forecast for 2019 by 20 basis points to 3.3%, the lowest since the 2008 financial crisis, blaming the US-China trade tensions, loss of momentum in Europe and the uncertainty surrounding Brexit.

The commerce ministry is contemplating an export promotion scheme, along with a production-based support scheme, to boost Make in India as part of its 100-day action plan.

The new export promotion scheme may replace the existing Merchandise Export from India Scheme, following the US decision to challenge India’s existing export subsidy schemes at the WTO.

Source: livemint.com- July 15, 2019

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Margins may improve after a long wait as denim industry sees glut easing

No new capacities likely, so market will be able to absorb current production; however, rising cotton prices could offset the benefits of operating leverage and modest increase in fiscal incentives

After quite a few years of facing a glut in the domestic market due to excess capacity, the Indian denim industry may finally see the demand-supply gap narrowing.

In addition, with mass consumption demand also expected improve even as denim players go for more premium products, gross margins in the industry are also expected to improve by 3-4 per cent this year.

"There was a mismatch in demand and supply. But in the last couple of years, due to demonetisation and Goods and Services Tax (GST), the denim market has seen a slowdown and the overcapacity is getting adjusted. Also, no new capacities or fresh investments are likely to come up. Hence, the excessive capacity that got accumulated over the years is now getting utilised gradually," says Sharad Jaipuria, CMD, Ginni International told Business Standard.

Denim, mostly fabric, capacity in India had suddenly shot up a few years ago and now stands at roughly 1,700-1,800 million metres a year. However, with annual exports being hardly 200-250 million metres, the rest of the capacity was earmarked for the domestic market, creating a glut. This had led to shrinking margins for even some of the top denim makers.

However, Jaipuria, who is also the president of Denim Manufacturers' Association, believes that with no new investment in sight and capacity rationalising, gross margins could improve by 3-4 per cent this year.

Reiterating Jaipuria's views is a recent report by India Ratings and Research (Fitch Group) as part of its FY20 outlook for textile sector’s denim industry which states that the denim manufacturers may expect operating margins to improve marginally.

The rating agency too expects minimal new greenfield investments in the sector as sub-optimal utilisation levels will not entice any players to start investing before FY'22 given that the current capex will require two to three years to stabilise.

However, while the sector's operating margins is expected to improve moderately to 10-11 per cent in FY20, inflation in cotton prices could offset the benefits of operating leverage and modest increase in fiscal incentives.

"We believe denim sector margins are on the cusp of gradual improvement owing to focus on premium products and vertical integration. The agency expects return of wholesale and consumer demand for basic denim in domestic market and exports for value-added denim to gradually improve capacity utilisation.

While the basic denim overcapacity will persist in FY2020-FY2022, the improved demand outlook will underpin benefits from operating leverage and enable transmission of raw material cost inflation to an extent," says Mahaveer Shankarlal, Associate Director – Corporate Ratings, India Ratings and Research (Fitch Group).

On one hand, India Ratings and Research (Fitch Group) expects the credit profile of denim fabric manufacturers to marginally improve in FY20 amid recovery in operating margin, aided by reduction in operating leverage and higher mix of value-added products. However, on the other, it estimates revision of remission of state levies and states' incentive schemes will underpin margin recovery in FY20.

Source: business-standard.com- July 15, 2019

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‘Tex Next 2019,’ textile technology expo, to be held in Madurai from July 18

In an attempt to boost garment trade in south Tamil Nadu, Madurai District Tiny and Small Scale Industries Association will host ‘Tex Next 2019,’ a textile technology expo, between July 18 and 21.

The main objective of the fair is to promote local market opportunities, improve sales infrastructure platforms, create market strategies and tactics with businesses and promote export opportunities. One of the other important aims is to introduce automation and machinery to garment traders.

According to MADITSSIA president K. P. Murugan, over 100 participants are expected to take part in the event. They will include textile manufacturers, raw material suppliers and capital goods manufacturers.

Apart from the main events, the expo will have a series of seminars on several topics, including product development and prospects in industrial and home textiles.

Karthick Babu, vice-chairman, Tex Next 2019, said: “We are attempting to bring in multi-national companies such as Amazon to teach our small and medium traders how to sell on e-commerce platforms.”

The expo will also discuss hosting and managing a weekly market place for large-scale buyers and sellers emulating the one in Erode and Tiruppur.

Source: thehindu.com- July 15, 2019

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