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IBTEX No. 208 of 2017 October 16, 2017

USD 64.70 | EUR 76.37 | GBP 85.93 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18525	38750	**76.12**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18180	38028	**74.71**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.84
ZCE Cotton: Yuan/MT (Jan 2018)	15,050
ZCE Cotton: USD Cents/lb	**88.05**
Cotlook A Index – Physical	**78.8**

Cotton & currency guide: Four weeks past cotton traded almost steady in the range of less than 3 cents between 67.50 to 70 cents. The gone by week December future at ICE ended at 68.62 cents per pound.

The much awaited event of monthly USDA report was released last week however; the market reaction was very negligible. The detailed USDA report analysis was narrated in our previous day's report.

The broad understanding is the US cotton production was lowered a tad from the previous month estimate but held above 21 million bales. The world stock outside China also has increased majorly because of US production and slightly lower exports projection. We believe this has led to decline in the price from the last week's high near 70 cents. Also the effect of hurricane Irma was mostly absorbed in the USDA crop estimates.

Broadly market has been sideways. The average daily volatility of cotton especially the December future has declined considerably below 15% from an earlier month's volatility that used to be more than 25%. This is clearly visible on the price action as well.

This morning cotton at ICE electronic platform is seen trading at 68.75 cents per pound up by 0.20% from the previous close. The action is yet to notice entire this week however, one interesting observation that we would like to highlight is here ever since market made a low near 66 cents in late June 2017 there has been higher lows in price meaning market is making a base price near 66 to 67 areas.

This in other perspective to look at is there is speculative interest in buying near the suggested levels or on- call fixation by mills are aggressive near the stipulated price range. However, looking at the broad understanding of cotton this phenomenon does not seem to hold true in the long run. On the contrary a break down below 66 cents would make cotton to slip sharply lower towards 62.50 though it is seen unviable at the current juncture.

Broadly on the price front we expect the trading range of 68.20 to 69.40 may be maintained for the day while in the near term, 67.50 to 70 would be the right trading range.

On the domestic front, the market action is slightly different. Arrivals of new crop are coming almost from all states in the country. On an average more than 50K bales of crop are noted in the country. The both old and new crops are quoted near Rs. 39800 to Rs. 40000 per candy. Further on the supply front, new crop arrivals into the market by farmers' have more than 16% of moisture while CCI comments not to procure seed cotton from the market if the moisture is more than 12%. Due to late rain in some areas the harvesting is getting delayed and there is crop damage. We believe as we progress through the main arrivals season the actual picture would be determined.

On the futures front, more than the spot it also takes cues from the ICE future trend. The October, November and December futures have posted a weekly close at Rs. 18970, 18090 and 18190 respectively. We believe there can be some more weakness in the price. The trading range for the day for November would be Rs. 17900 to Rs. 18160 per bale.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	How Trump is about to make the 'worst deal ever' even worse
2	Iran Commerce Chamber to Host ASSOCHAM Delegation
3	Vietnam: Build brands to boost exports to Korea: Official
4	Pakistan: Cotton economy should take centre stage in government's efforts'
5	Pakistan: Cotton price falls on profit-taking
6	China beefs up textile norms
7	Nigeria's RMRDC initiates revival of garment sector
8	Flexible Mediation' in Chinese Province Strengthening China-Africa Trade
9	New textile factory to come up in Uzbekistan by 2018 end
10	Bangladesh: Most RMG factories reach total compliance
11	Global yarn production up 11 per cent in Q2
12	US is Vietnam's top cotton source
	NATIONAL NEWS
1	India's exports jump 25.7% in September 2017
2	Industry warns cotton yarn exports may fall further, demands incentives
3	India needs to strengthen competitiveness to grab global textile share
4	Fresh talks on free trade pact with EU to give equal weight to goods, services, investment
5	Centre working on ways to speed up refund process for exporters
6	Cotton prices soften as arrivals pour into market
7	Telangana cotton farmers demand ₹7,000/quintal
8	Indian minister urges exporters for upliftment of artisans

INTERNATIONAL NEWS

How Trump is about to make the 'worst deal ever' even worse

President Trump has called the North American Free Trade Agreement "the worst deal ever," but one thing might actually be worse: no deal at all.

The fourth round of negotiations to revise the agreement wraps up Oct. 17, but many people close to the talks have expressed doubts that they will succeed.

If NAFTA crumbles, trade among Mexico, Canada and the United States would fall under World Trade Organization rules with modest average tariff rates and an established, if unwieldy, process for resolving disputes.

But the tariff rates, although relatively low, would be higher on U.S. exports than on U.S. imports. Many trade experts say that would hurt U.S. exporters of everything from corn to auto parts and that the United States could end up with fewer jobs while paying higher prices for goods than it does.

Meanwhile, Canada and Mexico would be able to fall back on free-trade agreements they have forged with Europe recently, providing zero tariffs.

Mexican Foreign Minister Luis Videgaray told a Mexican Senate committee this week that the end of the North American Free Trade Agreement "won't be the end of the world."

And in some ways Videgaray is right. The world of global trade has far fewer walls and stumbling blocks than it did 23 years ago, when NAFTA went into effect. Nonetheless, even small tariff differences can have substantial effects, many trade experts say, and could upend established supply chains.

"If NAFTA ends, the tariffs the United States imposes on imports from Mexico would revert (from currently zero) to their WTO levels. For the United States, these tariffs average 3.5 percent" across all goods, Chad Bown, a senior fellow at the Peterson Institute for International Economics, said in an email.

“Mexico’s WTO tariffs are a bit higher — on average 7.1 percent,” he wrote. “So U.S. exporters would go from facing zero tariffs currently for their sales to the Mexican market under NAFTA to 7.1 percent on average without NAFTA.”

For automobiles, the gap could add hundreds of dollars to the price of a car. Or carmakers in Mexico might drop U.S. suppliers subject to WTO rates and look for European auto parts manufacturers, who would not have to pay any tariff under their free-trade pact.

NAFTA’s rules of origin for automobiles would also disappear. Those rules were designed to prevent countries outside North America from using the treaty as a back door into the U.S. market. Under NAFTA, 62.5 percent of the value of an imported vehicle must originate in Canada, Mexico or the United States for that vehicle to get duty-free access to the region.

Without NAFTA, supply chains could reorient themselves. Cars sold in the United States might contain more foreign parts, and Mexican cars sold to Europe or Latin America might use fewer U.S. components.

“U.S. producers would face less market access in Mexico without NAFTA than Mexico would face in the United States,” said Caroline Freund, a senior fellow at the Peterson Institute for International Economics and former economist at the World Bank.

Getting rid of NAFTA could also hurt the agriculture industry, which is strong in the states Trump carried in his presidential campaign. Since NAFTA was enacted, U.S. food and agricultural exports to Canada and Mexico have more than quadrupled, to $38 billion in 2016, according to the Fresh Produce Association of the Americas. And Mexican agricultural exports have given consumers year-round access to fruits and vegetables that had been available only during certain seasons.

A collapse of NAFTA could also boomerang on some of the accord’s harshest critics, especially labor and environmental groups that want to toughen up what they see as ineffective side agreements to the original treaty. Without NAFTA, however, those agreements would simply vanish.
Leo Gerard, president of the United Steelworkers union, says NAFTA was sold to the American public with “a bag full of lies.”

He says it has done little to bring good wages to Mexico and has therefore siphoned jobs to Mexico away from the United States and Canada. He singles out auto factory jobs; half his members make auto parts.

But Gerard isn't ready to simply shred the NAFTA agreement. He wants to fix it with enforceable labor standards and wages. "If you just rip it up, it's worse," he said. "If you bail out of this, you're going to have to have new rules."

Mexico, however, would not escape damage from a collapse of NAFTA. NAFTA has helped generate confidence in all three nations, which has been especially helpful in attracting investment to Mexico. A collapse of the accord could choke off some of that investment.

Moreover, the WTO tariff numbers are averages and in some areas — especially in agriculture, sneakers and textiles — the United States could impose much higher duties. It would impose a 25 percent tariff on pickup trucks, 48 percent on sports sneakers, and between 5 and 20 percent for textiles, Freund said. Even with the free-trade agreements Mexico has with Europe and others, it will be hard- pressed to divert goods from the United States, where Mexico sends 80 percent of its exports.

In a roundabout way, the collapse of NAFTA could help Mexico sell those goods. The end of the agreement probably would undermine confidence in Mexico's currency, the peso, which has declined nearly 6.5 percent over the past month amid squabbling over trade. That could further lower costs of manufacturing in Mexico, making it even harder for the United States to compete with its southern neighbor.

The impact a NAFTA collapse would have on U.S.-Canada trade is less clear. Before NAFTA, the two nations had a bilateral free-trade agreement that might come back into force after NAFTA. If so, each country would have zero tariffs on the other. If that treaty were not brought back into effect, then Canada could impose an average tariff of 4.2 percent on U.S. goods under the WTO rules.

Source: washingtonpost.com- Oct 15, 2017

HOME

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Iran Commerce Chamber to Host ASSOCHAM Delegation

A delegation from the Associated Chambers of Commerce and Industry of India is scheduled to visit Iran on October 28 and take part in a joint forum to be held at Iran Chamber of Commerce, Industries, Mines and Agriculture's headquarters in Tehran.

The visiting delegation will comprise Indian businesspeople active in the fields of chemical, steel, mining, fertilizer, engineering, logistics, paper and textile, ICCIMA's news portal reported.

ASSOCHAM is one of the apex trade associations of India. The organization represents the interests of trade and commerce in India and acts as an interface involving industry, government and other relevant stakeholders on policy issues and initiatives.

The goal of this organization is to promote both domestic and international trade, and reduce trade barriers while fostering the growth of Indian trade and industry.

Source: financialtribune.com- Oct 16, 2017

HOME

****

Vietnam: Build brands to boost exports to Korea: Official

Vietnamese firms must focus more on building brands of products to be able to boost exports to the Republic of Korea (RoK).

Lê An Hải, deputy head of the Ministry of Industry and Trade (MoIT)'s Asia-Pacific Market Department, said this at a seminar on promotion of Vietnamese brands for the Republic of Korea, held on Thursday in Hà Nội.

According to Hải, the RoK is considered a potential market for Vietnamese products, however, export to the market still faces challenges, including brand registration.

He cited coffee as an example. With export turnover accounting for 34 per cent of the world market share, Việt Nam is proud to be one of the world's largest coffee exporters, he said. The country is also among the three largest coffee exporters to RoK, however, few Koreans know this.

Made-in Vietnam textile and garment products also suffer the same fate in this market although the quality and production capacity of the country is superior.

According to Hải, one of the main reasons why the Vietnamese brand is not popular in RoK is the packaging design.

“Made-in Vietnam products always sell better if the products are ordered by Korean enterprises,” Hải said, explaining that Korean enterprises themselves design attractive packaging and properly grasp the taste and aesthetics of the Korean people.

Hải therefore said that it is important for Việt Nam’s firms to focus on building Vietnamese brands in the context of fierce competition between local and foreign firms. To do this, Vietnamese firms should first perform well in the domestic market to build quality products -- from packaging design to safety. The Vietnamese firms can in this way strengthen their brand in the domestic market and then expand to foreign markets, especially a fastidious market such as RoK.

Yoon Sang Ho from the Korea Small and Medium Business Association said Korean customers often prefer to choose brands they know. At the same time, a solid brand will help firms protect their market share not only in the domestic market but also in the foreign market.

Besides this, he suggested that businesses should study and grasp the tastes of Korean consumers. Thus, new Vietnamese brands can leave their mark on the shopping habits of indigenous customers.

According to Đỗ Kim Lang, deputy director of the MoIT’s Trade Promotion Agency, RoK is currently the largest investor and one of Việt Nam’s major trading partners. Notably, in 2016, RoK was Việt Nam’s third largest trading partner, while Việt Nam was RoK’s fourth largest export market. Two-way trade between the two countries increased nearly 87-fold -- from US$500 million in 1992 to $43.4 billion in 2016.

However, the country's trade deficit with RoK is increasing, reaching up to $23.7 billion in the first nine months of this year, data of the General Department of Vietnam Customs showed. Việt Nam mainly imports machinery, computers, electronic products and components, and raw materials for textile, as well as leather footwear, steel, plastics and chemicals from RoK

Source: vietnamnews.vn- Oct 14, 2017

HOME

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Pakistan: Cotton economy should take centre stage in government's efforts'

President Pakistan Businessmen and Intellectuals Forum (PBIF), Mian Zahid Hussain has said the cotton economy should take centre stage in the efforts of the government to revive the economy.

The issues of all the stakeholders from growers to those linked with the value-addition should be resolved as country's sixty percent exports tied to agriculture while cotton is prominent among them, he said.

Mian Zahid Hussain further said that cotton economy is facing issues like the collapse of crops, substandard pesticides, uncertified seed, water scarcity, climate change, pest attacks, difficulties in obtaining loans, and the tendency of planters to grow other crops.

He said that textile is the largest industry of the country earning major portion of the foreign exchange and providing more jobs than any other sector but it is also reeling under multiple problems that include high cost of doing business, political uncertainty, lack of research and value addition, taxations issues, and energy prices which has damaged its competitiveness.

These issues have deprived the country of getting the full benefit of the GSP Plus status which was awarded after a lot of efforts, he observed.

The business leader said that government should make a plan to revive the cotton economy with the consultation of APTMA, Karachi Cotton Association, Pakistan Readymade Garments Association and all other stakeholders as it will infuse confidence if local and foreign investors who have put their investment decision on hold.

He said that China is the largest importer of cotton and yarn, therefore, the government should try to lure their business community to start buying these things from Pakistan which will help revive the cotton economy.

Source: fp.brecorder.com - Oct 12, 2017

HOME

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Pakistan: Cotton price falls on profit-taking

The cotton market on Saturday came under profit selling as many brokers holding long position preferred to dispose their stocks partially. However, activity remained brisk and undertone was strong.

Increasing arrival of phutti (seed cotton) has now started to impact cotton prices.

Though the prices of both phutti and cotton kept moving higher throughout the week, they came under pressure on Saturday. Cotton prices rose by Rs100-150 per maund while phutti prices were firm between Rs2,800-3,100 per 40kg. Around 120,000 to 125,000 bales are reaching ginning units on daily basis but the off-take of cotton against this has been slow even though trading has remained fairly brisk.

Due to quality constraints, spinners are cautious about their buying orders, mostly preferring high premium lots. The higher off-take of cotton yarn also boosted cotton demand.

Since a large number of textile units have closed down therefore demand of cotton yarn has increased against the supply and this was encouraging spinners to get high stocks of cotton. Demand for yarn from China also positively impacting the cotton market.

Cotton production up to October 15 is being estimated to be around 6 million bales, an increase of almost 1.6m bales against the corresponding period of last year. World leading cotton market also closed firm with New York recording all round gains for all the future contracts.

Source: dawn.com- Oct 15, 2017

HOME

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China beefs up textile norms

China's strengthening of environmental supervision will be beneficial in the long run to reversing the internalisation of pollution control costs along the entire production chain, and will ultimately make green supply chain development become an essential choice for successful enterprises. The textile industry in general is adopting greener, more sustainable methods in its overseas supply chains.

A particularly large proportion of environmental efforts comes from manufacturers in the textile industry. Brands like Levi Strauss, Adidas, Marks & Spencer, Gap and Puma are those implementing greener supply chain methods. There has been an increase in the number of environmental investigations in manufacturing facilities.

Textile manufacturers are adopting new treatment methods in chemical and auxiliary management as well as wastewater treatment. Seven brands, which include Marks & Spencer and Levi Strauss, have deployed new wastewater management facilities and hazardous wastewater treatment plants.

These are some of the findings of the Corporate Information Transparency Index (CITI). Of the 267 brands assessed, apparel manufacturing giants including Levi Strauss, Adidas, Gap and Puma were named within the top ten contributors.

Developed in collaboration by the Institute of Public and Environmental Affairs and the Natural Resources Defense Council, CITI is the world's first quantitative evaluation system of the supply chains utilised in China by manufacturers across industry.

Source: fashionatingworld.com- Oct 14, 2017

HOME

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Nigeria's RMRDC initiates revival of garment sector

Nigeria's Raw Materials Research and Development Council (RMRDC) has initiated the process of accelerating local production of garments for domestic and international markets to reduce imports.

As part of the efforts, the council recently trained cotton farmers and organized a two-day workshop in Kaduna for workers in the cotton, textile and garment sector.

Over 150 members of the Nigerian Tailoring and Fashion Designers Association participated in the workshop organised in collaboration with El-Jahab Mubarak Nigeria Limited.

The country's textile industry, which had over 250,000 jobs in 1997, is now at an all-time low with less than 20,000 employees, a Nigerian newspaper report quoted to RMRDC director general HD Ibrahim as saying. A recent study showed more textile units are closing down.

Out of more than 250 operational mills in the 1970s, less than 25 are currently in production. Cotton turnover too reduced from NGN 8.2 billion to NGN 300 million between 1980 and 2012.

Ibrahim attributed the bad situation to host of factors, including obsolete machinery, high interest rate, inadequate infrastructure and lack of improvement in the local sourcing of raw materials.

GG Awolehin, deputy director in RMRDC's planning division, recommended setting up of a national textile council to coordinate affairs of the sector.

Source: fibre2fashion.com- Oct 16, 2017

HOME

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Flexible Mediation' in Chinese Province Strengthening China-Africa Trade

A trade and commerce mediation committee established in 2013 to probe misunderstanding between Chinese businessmen – manufacturers or middlemen – and foreign exporters or traders is making "significant progress" in a major import-export concentrated city in Eastern China.

The mediation committee, comprising of Ethiopians, Sudanese and Chinese nationals, is based in Yiwu City, a coastal Zhejiang Province in eastern China.

The province also has the second largest African community in the entire China. There are over 3,000 African residents living in the city. Guangzhou, in Guangdong Province – southern China, has the largest African community.

Merchants from over 100 countries are based in Yiwu city. Most of the mediators are African merchants themselves living in the city and they too are traders who export tones of commodities back to the continent.

Along with several other qualifications, a mediator on the committee must be a multilingualist also capable of speaking Chinese, should have a clean record with the Police and an impeccable trade record in the city.

Known as the "world's capital of small commodities." Varieties of household utensils, accessories and textiles are produced in the region.

The province also exports tens of millions of Chinese products to African countries.

In over four years, the mediation committee has arbitrated and settled over 450 cases worth over 52 million Yuan (about US$8 million) with over 30million Yuan (about US$4.6 million) paid back to complainants.

The committee, officially known as the judicial office of International Trade City, has reduced the number of case investigated by the Police in recent years.

It says it objective is to further ease emerging disputes between Chinese traders and foreign consumers in order to smoothen the path of trade transactions.

It has also help mediated with law enforcement authorities on behalf of merchants whom visa or legal travel documents expired.

“Our success rate is 97% in settling dispute and our method of mediation is well received by foreign and Chinese businesses,” Chen Jin Yan, director of the mediation committee, told African journalist on October 14 in Yiwu.

“We help both party to get settlement by applying three principles which include finding out which country law should be used and if we cannot specify which foreign country law to use, we apply Chinese law,” he said, adding that the committee tries to maintain fairness in order to give confidence to foreign traders seeking mediation.

China is Africa’s largest trading partner – this means, Chinese manufacturers or middlemen must transact directly or indirectly with their African customers to keep transactions afloat.

Some of these transactions sometimes fall short to allegations that continue to fuel misconceptions about Chinese commodities on African markets.

The most occurring cases include cultural disputes amongst traders and Chinese and the quality of goods, Yan said.

He said when violators are investigated and found liable they are sentenced to prison and money repay. In the case of the quality of goods or products, he said complainants have to present a case proving that they are unsatisfied with the specifications of goods.

“In that case, when we received the goods (as mediators) the committee intervenes and check it to see if it is the same in the contract,” he said.

Intercontinental trade generates millions of dollars of profits for investors and millions more in revenue for governments on both sides of the trading chain, but challenges like the ones mediated in Yiwu often led to prolonged litigations and create loses for both sides, slow trade and affect people-to-people interactions.

Sometimes deals are unfavorable for any side or hiccups threaten transactions. Market observers say, bad deals lead to commodities or capital failing to flow across the transaction chain, quality for money is not obtained or accusation of fraud would mere transactions.

Chinese provinces with huge volume of exports to African countries seem to be working frantically to limit some of the disadvantages dogging trade transactions and the progress by the Yiwu mediation committee seems to be building momentum year-on-year, strengthening trade between China and Africa.

Source: frontpageafricaonline.com- Oct 16, 2017

HOME

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New textile factory to come up in Uzbekistan by 2018 end

A modern $92-million textile unit will be built in Uzbekistan by the Namangan Sharbati joint venture, the National Bank for Foreign Economic Activity and Ozbekyengilsanoat joint stock company by late 2018.

The factory will annually produce 10,000 tonnes each of polyester fibre and yarn, 20 million meters of mixed fabrics, and 7,000 tonnes of blended linen.

The factory will be exempt from paying corporate income tax, value added tax and mandatory contributions to the Republican Road Fund under the Uzbek finance ministry till January 1, 2022, Sputnik Uzbekistan reported recently.

It will also be exempt from customs payments for imported equipment, components, chemicals not manufactured in the country.

Around 132 investment projects worth $2.2 billion are planned in the Uzbek textile industry till late 2019, the report added.

Source: fibre2fashion.com- Oct 16, 2017

HOME

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Bangladesh: Most RMG factories reach total compliance

Bangladesh has some 4,500 readymade garment factories and nearly all of these will be shortly compliant. By next June the process is expected to be complete. Before the Rana Plaza tragedy garment factories focused only on child labor, limiting working hours, wages for overtime duties and on achieving technical compliance like fire extinguishers, gloves, boots, helmets for workers.

However, after the disaster, stakeholders went ahead with structural, fire and electrical safety, which was almost zero in their vision earlier. Factories now use proper electrical cables. Safety standards in the industry as well as the well being of workers are being monitored.

Now factories are inspected jointly by experts supported by ILO and the buyers' platforms Accord and Alliance. Bangladesh now has 67 LEED (Leadership in Energy and Environmental Design) factories, certified by the United States Green Building Council, of which 13 are platinum. Seven out of world's top 13 LEED certified factories are in Bangladesh and 280 more are in the pipeline for getting certification.

Meanwhile the labor law was amended in July 2013 and another revision of the law is in progress. A workers' welfare fund has been created to which the garment industry alone contributed around 10 million dollars last fiscal year.

Source: fashionatingworld.com- Oct 14, 2017

HOME

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Global yarn production up 11 per cent in Q2

In the second quarter global yarn production rose by 11 per cent. The drivers of the growth are: Asia and Brazil. Yarn production decreased by ten percent in the US and 18 per cent in Africa.

Global fabric production improved by nine per cent, with the most significant increases in Brazil, Asia, and Africa.

Global yarn stocks decreased by one per cent. Asia, Europe, and Brazil saw their yarn inventories increase, but the world average is driven down by a 12 per cent decrease of yarn stocks in Egypt.

But global yarn stocks have improved compared to the same quarter a year earlier.

Global fabric inventories decreased by eight per cent. The strongest decrease is observed in Brazil. Asia and the US are fairly stable and Europe's stocks rose by seven per cent.

Global yarn orders have fallen in all regions in the second quarter. European yarn orders decreased by almost seven per cent. Reductions of six per cent and four per cent were recorded in Brazil and Asia.

Asian and European fabric orders remained stable and rose in Brazil and Africa.

In comparison to the second quarter of last year, Asian and Brazilian fabric orders declined significantly while they slightly increased in Europe and Africa.

Source: fashionatingworld.com- Oct 14, 2017

HOME

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US is Vietnam's top cotton source

US cotton continued to be the major supplying source for spinners in Vietnam. Cotton imported from the US made up around 40 per cent of Vietnam's total cotton imports over the past few years. Australian cotton remained the second largest supplier.

Brazilian cotton took the third place. Vietnam's cotton imports in September 2017 increased 56.09 per cent year on year and 1.55 per cent month on month.

In the first nine months of 2017, cotton imports were up 28.23 per cent from the corresponding period of last year. For September's imports, the major supplier was the United States, with a proportion of 47.30 per cent.

From January to September 2017, cotton imports of Vietnam were up 28.23 per cent year on year. In September, cotton imports were up 56.09 per cent from a year ago.

Vietnam's cotton consumption has been increasing at an average 22 per cent year on year for the last five years.

In September 2017, textile and garment exports of Vietnam were up 9.76 per cent year on year and down 11.14 per cent month on month. In January-September 2017, export value increased 8.51 per cent from a year ago. The export value decreased somewhat in September.

Source: fashionatingworld.com- Oct 14, 2017

HOME

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NATIONAL NEWS

India's exports jump 25.7% in September 2017

Trade deficit narrows to seven month low of US$ 8.98 billion in September 2017

India's merchandise exports jumped at six-month high pace of 25.7% to US$ 28.61 billion in September 2017 over a year ago. Meanwhile, merchandise imports increased 18.1% to US$ 37.60 billion.

The trade deficit declined 1.0% to seven-month low of US$ 8.98 billion in September 2017 from US$ 9.07 billion in September 2016.

Oil imports moved up 18.5% to US$ 8.19 billion, while the non-oil imports also surged 18.0% to US$ 29.41 billion in September 2017 over September 2016. The share of oil imports in total imports was 21.8% in September 2017, compared with 21.7% in September 2016. India's basket of crude oil galloped 22.6% to US$ 54.52 per barrel in September 2017 over September 2016.

Among the non-oil imports, the major contributors to the overall rise in imports were electronic goods imports rising 40.9% to US$ 5.17 billion, pearls, precious & semi-precious stones 56.9% to US$ 3.13 billion, coal, coke & briquettes, etc. 48.0% to US$ 1.64 billion, machinery, electrical & non-electrical 16.4% to US$ 2.85 billion, iron & steel 35.0% to US$ 1.30 billion, non-ferrous metals 32.5% to US$ 1.11 billion and organic & inorganic chemicals 20.3% to US$ 1.55 billion. The imports also improved for artificial resins, plastic materials etc by 21.9% to US$ 1.24 billion, metaliferrous ores & other minerals 41.4% to US$ 0.72 billion, silver 128.3% to US$ 0.32 billion, wood & wood products 34.0% to US$ 0.57 billion and vegetable oil 11.6% to US$ 1.16 billion.

Further, the imports have moved up for chemical material & products 26.4% to US$ 0.54 billion, and professional instrument, optical goods etc 18.8% to US$ 0.38 billion, while it declined for transport equipment 27.6% to US$ 1.31 billion, cotton raw & waste 43.7% to US$ 0.14 billion and gold 5.0% to US$ 1.71 billion in September 2017.

On exports front, the engineering goods recorded an increase in exports by 44.2% to US$ 7.33 billion, followed by petroleum products 39.7% to US$ 3.60 billion, organic & inorganic chemicals 46.1% to US$ 1.68 billion, readymade garment of all textiles 29.4% to US$ 1.66 billion, gems & jewellery 7.1% to US$ 4.78 billion, and drugs & pharmaceuticals 14.7% to US$ 1.60 billion.

The exports also moved up for marine products by 32.7% to US$ 0.79 billion, rice 45.7% to US$ 0.58 billion and cotton yarn/fabrics/made-ups, handloom products etc 15.2% to US$ 0.92 billion in September 2017. Further, the exports gained for man-made yarn/fabrics/made-ups etc by 24.8% to US$ 0.47 billion, plastic & linoleum 17.1% to US$ 0.57 billion, electronic goods 14.3% to US$ 0.57 billion and leather & leather products 17.1% to US$ 0.48 billion in September 2017.

Merchandise exports in rupees improved 21.3% to Rs 184387 crore, while imports moved up 14.0% to Rs 242283 crore in September 2017 over September 2016.

The trade deficit narrowed to Rs 57896 crore in September 2017 compared with Rs 60536 crore in September 2016.

India's merchandise exports increased 12.0% to US$ 147.19 billion, while merchandise imports surged 25.2% to US$ 219.32 billion in April-September 2017.

An increase in imports was driven by a 19.3% jump in oil imports to US$ 46.97 billion. India's merchandise trade deficit galloped to US$ 72.13 billion in April-September 2017 from US$ 43.77 billion in April-September 2016.

Source: business-standard.com- Oct 15, 2017

HOME

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Industry warns cotton yarn exports may fall further, demands incentives

With cotton yarn export dropping for three years in a row, industry bodies have demanded export incentives and trade policy interventions.

They've given a detailed analysis to the commerce and industry ministry, showing the $3.5 billion export segment is shrinking. The segment makes up more than a tenth of India's total textile export and is one of the few segments there in which the country had historically enjoyed an advantage until recently.

In 2016-17, the export of cotton yarn fell 7.7 per cent. Apart from trade reasons, the spectre of a five per cent Goods and Services Tax on both yarn and fabric have hit the hitherto untaxed industry hard. A recent report from ratings agency ICRA says the rupee's rise over the past year, with high raw material prices in the past six to nine months, had disadvantaged the industry.

Also, with domestic demand not growing, investment into spinning mills have stopped, pushing up manufacturing prices, exporters claim.

As a result, industry bodies have asked that cotton yarn be allowed benefits under the Merchandise Exports from India Scheme and Interest Equalisation Scheme, something man-made yarn already gets. They've also raised the issue of drawback rates recently being revised.

On the trade front, experts and exporters have called for policy interventions with major buyers of Indian cotton yarn, such as China. In 2016-17, of the $3.3 billion of the commodity's export, a little over $1 bn was headed to China.

"India is disproportionately dependent on China for exports. But, export orders have continued to decrease over the past couple of years due to Vietnam and Bangladesh advancing on the Chinese market with more than a four per cent tariff advantage due to trade agreements and cheaper labour costs," says S K Jain, chairman of the Confederation of Indian Textile Industry.

These nations have increasingly encroached on India's turf in the categories of apparel and home furnishings over the past couple of years in America and the European Union.

"Vietnam recently leveraged its growing position as a hub of textile manufacturing, as well as trade concessions under the China-Asean free trade agreement, to capture the Chinese market," says a Delhi-based trade expert.

Cotton yarn is also exported to Bangladesh, Pakistan, Egypt and Korea, all centres of textile manufacturing. Interestingly, export to Bangladesh and Pakistan have risen. Of this, shipments to India's western neighbour saw a significant rise over the past two years despite political and military standoffs. The $213 million of yarn to Pakistan in 2016-17 was a 62 per cent jump, over the 45 per cent export rise the previous year.

Only raw cotton was a larger shipment group to that country. Both nations are traditional cotton producing, have unreliable production cycles and have seen increasing attacks by pesticide-resistant strains of insects over four years.

Source: business-standard.com- Oct 14, 2017

HOME

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India needs to strengthen competitiveness to grab global textile share

Till recently, China used to dominate the global market of textiles and apparel, footwear and furniture but rising wages have disrupted its global competitiveness in labour-intensive sectors. Now China is readying itself to venture into hi-end skilled manufacturing verticals. As per figures, in 2010, low-value apparel and home textiles accounted for 51 per cent and 29 per cent of China's textile industry respectively.

But in 2014, their share came down to 46.8 per cent and 28.6 per cent, with the share of value-added industrial textiles rising from 20 per cent to 24 per cent. This share is further projected to decline by 2025. This would create a $50 billion opportunity for other low-cost producers in apparel market alone, according to FASH455, a global apparel and textile trade and sourcing agency.

Where does India stand?

With over 40 per cent contribution towards exports, Indian textile industry has been shining high. With China vacating space, the country hopes to take the larger share of the pie. But close rivals like Bangladesh, Vietnam and Cambodia, are giving it a tough fight. In this scenario, India needs to project its inherent competitiveness to expand export potential. In 2000, India held 3 per cent share of apparel export market while Bangladesh's and Vietnam's shares stood at 2.6 per cent and 0.9 per cent respectively.

But in 2016, with Bangladesh and Vietnam seeing their market shares jump to 6.4 per cent and 5.5 per cent respectively, zooming past India whose share modestly increased to 4 per cent. Meanwhile, Ethiopia too is emerging as a serious player in the global apparel market. The African country exported textile and apparel worth $7.32 billion in 2015, which it has targeted to raise to $30 billion by 2025. Apparels also stand to be the highest employment generator for the country. For every Rs1 lakh investment, nearly 24 jobs are created, compared to 1.3, 0.3 and 0.1 in food processing, auto and steel respectively. Moreover, it has the highest potential to absorb women workers.

Footwear and furniture

India is scoring low in footwear and furniture export markets too. Country's footwear exports, valued at $2.54 billion in 2013, came down to $0.42 billion in 2016. In comparison, Vietnam exported footwear worth $18 billion during the same year, next only to China. India's export of furniture bedding and mattress shrunk to $0.2 billion in 2016 from $1.09 billion in 2013. While China sustaining the lead, developing countries like Poland, Mexico and Vietnam have also emerged as significant contributors.

According to credit rating agency Fitch, Bangladesh and Vietnam already have strong footholds in these sectors. Together they accounted for 8 per cent of global clothing, footwear and furniture exports in 2015, up from 3 per cent in 2010. This established scale could be an advantage. Bangladesh, for example, has a ready-made garments industry that accounts for over 80 per cent of its exports, and has the capacity to meet large orders swiftly.

How can India stand to gain?

As per UN Comtrade, a significant drop in China's low-end manufacturing over the coming decades would leave a large gap for lower-cost countries to exploit. China's global share of exports of clothing, footwear and furniture is still almost 40 per cent.

However, the decline now appears to be gathering momentum – China's exports of these labour-intensive goods fell by 10 per cent in dollar terms in 2016. A 2014 Boston Consulting Group report suggests, the cost of Indian labour has remained virtually flat over the past decade when adjusted for productivity gains. By contrast, labour costs in China's coastal provinces have nearly tripled.

Source: fashionatingworld.com- Oct 14, 2017

HOME

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Fresh talks on free trade pact with EU to give equal weight to goods, services, investment

India and the European Union (EU) are set to begin talks soon on re-starting stalled negotiations for a free trade pact but New Delhi will not favour pre-conditions, such as prioritising an investment agreement that the 29-member bloc had earlier insisted upon.

"It was very clearly decided at the India-EU Summit earlier this month that it would be a comprehensive agreement. So, there is no question of giving investments preference over goods and services. But all issues related to investment protection would definitely get addressed," a government official told *BusinessLine*.

The proposed bilateral free trade pact — officially known as the broad-based trade and investment agreement (BTIA) — launched in 2007, got stalled due to differences over issues such as market openings in India for items like wines and spirits and automobiles and EU's hesitation in granting India data secure status.

The BTIA, which includes market access for goods, services and investments, is also important for India because of the increased market openings it hopes to get for its service professionals.

However, when the two sides seemed ready to get back to the negotiating table last year, India's refusal to renew bilateral investment treaties with individual EU countries that lapsed by April 2017 upset the EU, and it did not respond to India's requests for dates to re-start talks on BTIA.

"The EU was insistent that the issue related to the BITs be sorted out before re-launching the BTIA. But New Delhi has held on to its position that the investment agreement that would be negotiated to protect investments from the EU countries would be part of an over-all BTIA that includes goods and services," the official said.

New Delhi wants to renegotiate all its past BITs on the basis of a new model BIT drafted by the Finance Ministry that aims to bring down litigation against the government. While it would be negotiating the pacts bilaterally with most countries, in the case of the EU countries, it would be a comprehensive pact for all 29 nations and a part of the proposed BTIA, the official added.

The ice was broken at the India-EU Summit in New Delhi where both sides decided to start talks on relaunching negotiations for a comprehensive BTIA. The dates are yet to be confirmed, but there are indications from the EU that it might by as early as next month, the official said.

Awaiting right time

While the outlook is positive, Jean-Claude Juncker, President of the European Commission, cautioned that the circumstances needed to be right for the talks to resume.

"Once the circumstances are right – and only once they are right – we will resume. Today's Summit is an important step in the right direction and our chief negotiators will sit down in the coming days to chart a way forward," he said at a joint press conference with Prime Minister Narendra Modi after the Summit.

The EU is India's number one trading partner with exports growing from €24.2 billion in 2006 to €37.8 billion in 2016, according to European Commission figures.

Source: thehindubusinessline.com- Oct 16, 2017

HOME

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Centre working on ways to speed up refund process for exporters

The Centre is working on ways to further fast-track the refund process for exporters, post rollout of GST.

According to CR Chaudhary, Union Minister of State for Commerce and Industry, Food and Public Distribution and Consumers Affairs, feedback from exporters has also been sought on how refunds can be sped up so that their working capital requirements do not face problems.

In a recent development, the GST Council has already decided to provide pending exporters' refunds in 15 days.

For exports till March 31, the previous GST exemptions such as advance authorisation will continue. "We are working on further reducing the time for refunds. Other mechanisms to fast-track or ease the returns process are also being explored," Chaudhary told *BusinessLine* on the sidelines of the 186th AGM of the Calcutta Chamber of Commerce. He, however, did not specify the exact mechanisms that were being looked into.

On e-wallets

To a specific question on whether e-wallets or running accounts might be explored, the Minister said: "Options are being worked out. Let us comment when things finalise."

The minister further pointed out that large-scale reforms like GST will often lead to hiccups in initial days.

"People and businesses will take time to understand and adapt. But it (GST) will be beneficial in the long run. Rise in export data for September shows that after initial hiccups of GST rollout is stabilising."

September data show that goods exports moved to a higher growth trajectory, posting a year-on-year increase of 25.67 per cent to $28.61 billion. The top 10 commodity items, which include engineering goods, have registered an increase in growth.

On demonetisation

Batting strongly for demonetisation, Chaudhary said "'idle currency" that was being run through a parallel economy has now come into the banking system.

"There may have been some inconvenience to the common man, but idle money or black money is now accounted for. It has returned to the banking system. That cannot be ignored," he added.

Source: thehindubusinessline.com- Oct 16, 2017

HOME

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Cotton prices soften as arrivals pour into market

Cotton prices have started declining with the beginning of new cotton season (October 2017 to September 2018) and the trend is expected to continue in the coming weeks with even further decrease.

"Arrivals from States such as Punjab and Haryana are good," said J. Thulasidharan, chairman, Indian Cotton Federation. "After Deepavali, we expect more than one lakh bales arriving in the market every day."

Cotton crop this year might touch 390 lakh bales against 345 lakh bales last year (October 2016 to September 2017). Price of Shankar 6 variety was Rs. 42,300 a candy in the beginning of September and now it is Rs. 39,000. Prices could go down to the minimum support price levels. he said.

For the textile mills, the main consumers of cotton, while there would not be shortage of the commodity, there could be issues related to quality, according to industry sources. Some ginners in Gujarat reportedly added comber noil (cotton waste) with cotton last season leading to quality problems, the sources added. High trash content or adulteration in cotton will affect textile mills.

As a permanent solution, there should be 100% testing of cotton bales and tagging at the ginning units, according to P. Nataraj, chairman, Southern India Mills' Association.

G. Arulmozhi, secretary of Open End Spinning Mills' Association, explained that textile mills used cotton as raw material and comber noil (cotton waste) was generated at the mills. The waste was purchased by open end spinners for use in their units.

Appeal to government

The comber noil prices were Rs. 68 a kg when cotton prices were Rs. 117 a kg last October. It was Rs. 78 a kg now though cotton prices were only Rs. 109. The government should ensure that there was no adulteration at ginning factories and comber noil was available at affordable prices to open end spinners throughout the year. "Our yarn goes to handloom and powerloom units to make textile products and we cannot increase yarn prices," he said.

Source: thehindu.com- Oct 15, 2017

HOME

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Telangana cotton farmers demand ₹7,000/quintal

Cotton farmers in Telangana, one of the major growers of the fibre in the country, are a worried lot as the procurement season begins.

The farmers, who sowed a record acreage of 46 lakh acres for the fibre crop this year, are demanding a price of ₹7,000 a quintal as they feel the MSP of ₹4,320 for the year is not remunerative. They also want the Cotton Corporation of India (CCI) to open more procurement centres.

"A large number of farmers have switched to cotton this time as prices of paddy, turmeric, mirchi and redgram fell sharply last year. If farmers get a price lower than that, the State and Central governments should pay the difference," S Malla Reddy, All-India Vice-President of All-India Kisan Sabha (AIKS), told *BusinessLine*.

Crop-switching pattern

After witnessing dismal returns in crops such as mirchi, turmeric and redgram, the farmers have returned to cotton in a big way. As against the suggested price of ₹4,000, a significant number of farmers got ₹5,000, resulting in the additional acreage over 10 lakh acres this time.

While the price of turmeric fell to ₹5,000 from ₹14,000 a quintal, prices of mirchi fell to ₹2,500 from ₹12,000; redgram to ₹4,500 from ₹12,000 and paddy from ₹1,510 to ₹1,300.

Representatives of farmers' unions have discussed the pricing of cotton and the status of arrangements for the procurement season here on Friday.

They threatened protests on October 16 and 23 at the CCI offices if their demands are not met.

Though the procurement generally takes off after Diwali, some markets have already recorded arrivals of the commodity. Initial reports suggest that the prices being offered are not quite encouraging.

The country produced 3.51 crore bales (of 170 kg each) last year and farmers' unions are projecting similar volumes this year as well.

"Farmers in the State had reduced the cotton acreage in the previous year on Chief Minister K Chandrasekhara Rao's appeal and went for red gram, whose acreage went up to 11 lakh acres from the normal area of six lakh acres," the AIKS leader said.

"The State government has estimated the cost of production for cotton at ₹4,959 a quintal and recommended a price of ₹7,725 for the season. But the Centre has decided a far lower price at ₹4,320 (for long staple fibre).

This is not remunerative," said T Sagar, State secretary of the Telangana Rythu Sangham.

Procurement centres

Meanwhile, Telangana Marketing Minister T Harish Rao has asked the CCI to open procurement centres from October 16. He asked farmers not to sell their produce at a price lower than the MSP. He wanted the officials to open 231 procurement centres for maize.

The Minister held a review meeting on Friday to take stock of the arrangements for the procurement season.

Source: thehindubusinessline.com- Oct 14, 2017

HOME

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Indian minister urges exporters for upliftment of artisans

Union textiles minister Smriti Irani has urged the textile exporters to contribute towards artisans' welfare and development. The design and product development in the textiles industry has a crucial role in value realisation which helps in the growth of the artisans and producers, said Irani while inaugurating IHGF - Delhi Fair Autumn 2017.

Appreciating the launch of schemes by Export Promotion Council for Handicrafts (EPCH) under their CSR programme, for education of children of artisans, Irani talked about its successful implementation in the North East.

EPCH has also introduced an integrated programme of development of NER handicrafts and handlooms, under which support is provided for design, marketing and skill development. The scheme provides full support to education of children of artisans through open schools. 75 per cent of the expenditure is borne by EPCH and the remaining by member exporters.

The handicraft exports have witnessed year-on-year growth of 13.15 per cent in 2016-17 and has touched Rs. 24,392 crores, said Irani.

EPCH recently introduced 'Design Register' scheme which allows hassle-free registration of designs by member exporters. EPCH design services help the sector in a big way augmenting the exports of handicrafts from the country, ultimately increasing employment opportunities to artisans, said Irani.

IHGF - Delhi Fair Autumn 2017 is the world's largest handicrafts and gifts fair that will conclude on October 16. As many as 2,980 exhibitors of home, lifestyle, fashion, textiles and furniture are participating in the fair. Over 6,000 buyers from 110 countries are visiting the fair.

The trade event includes programmes to promote Foreign Direct Investment and opportunities for joint ventures for both exporters and importers.

A symposium on 'Investment Opportunities in Handicrafts Sector' is being organised at the fair that will give opportunities for overseas buyers to bring technical know-how, investment and marketing networks to form joint ventures for promoting Indian handicrafts in the world market.

Source: fibre2fashion.com- Oct 14, 2017

HOME

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