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IBTEX No. 35 of 2018 February 17, 2018

USD 64.39 | EUR 79.89 | GBP 90.33 | JPY 0.61

Cotton Market (16-02-2018)

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

Rs./Bale	Rs./Candy	USD Cent/lb
18955	39650	**79.13**

Domestic Futures Price (Ex. Gin), February

Rs./Bale	Rs./Candy	USD Cent/lb
19560	40915	**81.66**

International Futures Price

NY ICE USD Cents/lb (March 2018)	75.41
ZCE Cotton: Yuan/MT (Jan 2018)	0
ZCE Cotton: USD Cents/lb	**0.00**
Cotlook A Index – Physical	**86.85**

Cotton guide: Cotton price continued to trade down on Thursday. The March settled at 75.41 cents below the critical support zone. The other months also traded down. This is the first week in last three months prices were down every day. March has fallen more than 170 points this week.

The December 18 contract continues to hold near and above 75 cents per pound.

On the trading front the volumes were down around 38K contract on Thursday dipped in last 10 days and possible reason could be Chinese are out from Participation due to Lunar Holiday. However the interesting part is the movement of open interest. We had mentioned the OI on Wednesday showed minimal addition however on Thursday it again slipped down to 262.550 contracts down by around 4000 contracts.

On the domestic front, the prices of Shankar-6 variety have declined to Rs. 39950 per candy ex-gin amid improvement in arrivals. The arrivals have reported at 143K bales including 40K Gujarat, 38K in Maharashtra and 30K in AP/TG state. The weaker spot price had a spillover effect on the futures price. At MCX the February future ended lower at Rs. 19540 down by around 1% from previous close. We believe market to remain sideways to lower and the trading band would be Rs. 19400 to Rs. 19700 per bale for the given contract.
Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

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INTERNATIONAL NEWS

US cotton industry's 2018 economic outlook

National Cotton Council economists note few key factors that will shape the US cotton industry's 2018 economic outlook.

In recent months, cotton prices have grown despite the increase in world production. Although the current supply/demand chain are bearish, strong US exports, a weaker US dollar, heavy speculative buying and large mill fixations have supported prices, however, for the coming year, projections of record ending stocks outside of China could see prices soar.

In the long term perspective, several positive factors point to a more optimistic outlook for the cotton industry over the next few years. The world economy is improving and stronger growth is estimated in 2018 and 2019.

International cotton demand is increasing with current forecasts calling for an increase of approximately five per cent in 2017, which is more than double the previous five-year average. China will begin the next round of reserve auctions next month. A successful auction in 2018 could ensure that China remains the larger cotton importer.

Jody Campiche, the NCC's vice president, Economics & Policy Analysis, says, World mill use is expected to exceed world production in the 2018 marketing year and global cotton stocks are projected to decline by 5.4 million bales in the 2018 balance sheet.

In NCC's annual Economic Outlook, she noted the global stocks decline is due to reduced inventories in China. China's stocks are declining with USDA estimating a fall of 8.0 million bales in 2017. In 2018, an additional 10.0 million bale reduction in total stocks is expected.

World production is estimated to be 119.3 million bales in 2018. World mill use is projected to increase by approximately three per cent in 2018 to 124.8 million bales with most of the growth from China, Vietnam and Bangladesh.

The US will remain the largest cotton exporter with a market share of 39 per cent in 2017 as against 40 per cent in 2016. China is currently the top export market for the 2017 crop year, followed by Vietnam and Pakistan.

World trade is projected to be higher in the 2017 marketing year, but increased competition from other major exporting countries has led to a fall in the U.S. market share.

Source: fashionatingworld.com- Feb 16, 2018

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Vietnam-EU trade agreement to be signed in 2018

The EU is one of Vietnam's biggest trading partners, accounting for nearly a one-fifth of the country's exports. Hanoi established diplomatic and commercial relations with the bloc in 1990, not long after the beginning of the Doi Moi economic and political reforms. This was followed by a cooperation agreement in 1995 which gave Vietnam most-favoured-nation status.

Key Partner

Vietnam's trade with the EU in the first 11 months of 2016 totalled $40.76bn, according to Vietnam Customs. The bloc was Vietnam's second-biggest export market, worth $30.72bn (up 9% on the same period of 2015, and accounting for 19.2% of the total), and its fourth-biggest source of imports ($10bn, up 9.7%, and 6.4% of the total).

Machinery and appliances accounted for just over half of Vietnam's exports to the EU, 50.1%, with telecommunications equipment comprising 33.5% of all exports. Footwear and hats accounted for 12.1%, and textiles and textile articles 10.4%. Vietnam's imports from the EU, meanwhile, included machinery and appliances (27.4% of the total), chemicals (17.8%) and manufactured goods (11.3%).

EVFTA

Now the relationship is set to become even deeper, with the wide-ranging EU-Vietnam Free Trade Agreement (EVFTA) on track to be signed in 2018. The FTA will eliminate more than 99% of tariff lines, and partially liberalise the remaining number, in some cases through quota increases.

Vietnam will eliminate 65% of its import duties on EU products before or on the date of the FTA entering into force, with the remainder lifted over the following 10 years. The EU will eliminate duties on 71% of products before or on the FTA's commencement, and lift others over a seven-year period.

On entry into force, Vietnam will make imports of many products fully duty-free, including all textiles, most machinery and appliances, around half of the EU's pharmaceutical exports, and around 70% of chemicals exports.

Duties on car parts, cars and larger motorcycles, dairy products, and wines and spirits will be lifted later in the 10-year implementation period. For its part, the EU will delay lifting duties on some Vietnamese textile and apparel items and footwear. It will raise duty-free import quotas for a range of agricultural products, including different types of rice and sugar.

Wide-Reaching Impact

The impact of the FTA is expected to be significant, considerably increasing trade flows between Vietnam and the EU in various areas. Vietnam's exports of textile, clothing and footwear to the EU are expected to more than double in 2020 as a result of the EVFTA, according to law firm Duane Morris. It will not only be Vietnam and the EU that benefit from the boost to trade.

"Vietnam is a production base for Korean businesses exporting globally, so Vietnam's efforts to develop FTAs are very important for Korean companies, and they have a lot of interest in the EU deal," Hwang Soon Sung, counsellor at the Korean Embassy in Hanoi, told OBG.

The FTA also includes better market access for EU investors, and strengthens regulations on intellectual property. EU firms will be able to bid for many public contracts and will gain improved access to sectors like banking, insurance and maritime transport. Industries such as food production and construction materials will also be opened up to greater EU investment.

The text of the FTA reflects the ambition shown by Vietnam during the negotiation process. Implementation of its provisions will help Vietnam to enhance the quality of its economic governance in line with the sustainable development commitments embedded in the FTA.

By enabling a more business-friendly environment, this will have positive impacts not only in terms of increasing market access opportunities to the EU, but also for its own domestic industry.

"The EU remains fully committed to invest in the development of the country, as our strategic partnership goes beyond trade issues and development cooperation," Bruno Angelet, the EU's ambassador to Vietnam, told OBG. "Vietnam is a now a benchmark for the other ASEAN countries that are willing to engage in FTA negotiations with the EU."

Source: oxfordbusinessgroup.com- Feb 15, 2018

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Cambodia limits truck sizes, affects garment industry

Cambodia has banned trucks longer than 16 meters from serving the garment industry. The industry wants the ban revoked or at least modified to exclude trucks slightly longer than the specified limit.

Garment manufacturers say the enforcement push poses a new threat to the garment, footwear, and traveling goods sectors, which are facing an increasingly competitive global market and shorter orders from buyers. They acknowledge that any problems are the fault of the private sector for not complying with legal requirements regarding truck length, but say the crackdown would have negative effects for the garment sector if it isn't modified soon. As of now more than half of the vehicles serving the garment industry have been forced off the roads.

Transport companies don't dare to drive and have not accepted orders for their services from factories because their trucks do not comply with the law. Most trucks are used trucks imported from the US and EU and they meet proper safety standards but fail only in meeting the 16 meter length standard. In the past month, industry leaders have warned persistently high logistics costs, rising wages and lax customs enforcement are threatening foreign investment levels in the country.

Source: fashionatingworld.com- Feb 15, 2018

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Eurozone exports ride global growth wave in December

External trade surplus grows despite worries trade may be hit by stronger euro

The euro area's trade surplus with the rest of the world expanded at the end of the year, with healthy global growth propping up demand for European exports despite concerns the stronger euro could discourage trade.

The eurozone's external surplus expanded to €23.8bn in December, from €22bn the previous month, as exports grew at almost twice the pace of imports.

Exports increased by 1.7 per cent, compared to a 0.9 per cent rise in imports. That was driven by a more than 15 per cent monthly increase in exports from France, which more than offset a slight dip in goods exported from the eurozone's first and third largest economies, Germany and Italy.

Claus Vistesen of Pantheon Macroeconomics said the data showed eurozone trade was "resilient" but that the balance "probably will weaken" in the first quarter of 2018 because of a stronger euro — although he suggested an increase in fiscal spending in the US and a consequently bigger US trade deficit with the rest of the world could limit the impact of the stronger currency.

The euro rallied 15 per cent against the dollar over the past 12 months, making European goods more expensive for American customers. However, when measured against a broader basket of major trading partners, the euro's recent gains have been far more muted.

Year-on-year, the surplus narrowed slightly in December from a year earlier, as export growth lagged behind the rise in the amount of goods imported.

The single currency zone recorded a €25.4bn surplus on that basis, down from €27.6bn in December 2016, according to data from Eurostat.

While exports increased 1 per cent year-on-year to €180.7bn, imports from the rest of the world rose 2.5 per cent, closing the gap slightly. Meanwhile within the eurozone, trade between members increased by 2.8 per cent from a year earlier to €142.4bn.

Most of the annual growth in both exports and imports between the EU as a whole and the rest of the world was due to energy — a likely reflection of the effect of the spike in oil prices which ran into January and a factor which also showed up in the latest UK trade data.

Source: ft.com- Feb 15, 2018

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Japan emerges lead supplier of automotive textiles to the US

Japanese textile companies have emerged as significant suppliers to the US automotive industry. The success of Japanese automotive textile suppliers reflects dramatic changes in the shape of the US automotive sector itself as the share of US producers has fallen and that of Japanese producers has risen.

In general, the dominance of the traditional Big Three automotive manufacturers—namely General Motors Ford and DaimlerChrysler—has waned while Japanese car producers such as Toyota Motor and others have enjoyed rapid and considerable growth in the US market.

There is a growing demand for environmentally-friendly products in the global automotive interiors market. Changes in attitudes towards ecological and environmental concerns are reflected in vehicle designs as well as automotive interiors.

Other future trends include the substitution of polyurethane foam in upholstery composites by three-dimensional polyester nonwovens, multi-knits and spacer fabrics which can be recycled; the increased use of efficient, longer life nonwoven filters to meet requirements for longer maintenance periods; the use of optical fibers in textile linings to illuminate certain parts of the car interior—such as the floor, door handles, and other areas; and the use of conductive textiles for heating and electromagnetic shielding, and for the collection or transmission of signals.

Source: fashionatingworld.com- Feb 15, 2018

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Indonesia central bank keeps policy rate unchanged, eyes volatile markets

Indonesia's central bank kept its policy rate unchanged on Thursday as expected, as it looks to maintain stability in the struggling rupiah following an unexpected spike in global volatility.

Here is the official translation of the Bank Indonesia statement, with some editing by Reuters. The original was in Indonesian:

The BI Board of Governors agreed on 14th and 15th February 2018 to hold the BI 7-day Reverse Repo Rate at 4.25 percent, while maintaining the Deposit Facility and Lending Facility rates at 3.50 percent and 5.00 percent respectively, effective 19th February 2018.

The policy is consistent with efforts to maintain macroeconomic and financial system stability while supporting the domestic economic recovery. Bank Indonesia considers the previous steps taken to ease monetary policy adequate in terms of building domestic economic recovery momentum.

Moving forward, Bank Indonesia believes that maintained economic stability will be the backbone of stronger and more sustainable economic growth.

Furthermore, Bank Indonesia will continue to monitor the risks, including global risks such as growing uncertainty in the global financial markets owing to anticipation of a higher-than-expected FFR hike, coupled with the rising oil price, as well as the domestic risks linked to ongoing corporate consolidation, a sluggish bank intermediation function and inflation risk.

To that end, Bank Indonesia will constantly optimise its mix of monetary, macroprudential and payment system policy to strike an optimal balance between macroeconomic and financial system stability and the current economic recovery.

In addition, Bank Indonesia also strengthens policy coordination with the Government to maintain macroeconomic and financial system stability, while enhancing structural reforms.

Global economic growth is projected to accelerate in 2018, accompanied by rising international commodity prices. Stronger-than-expected economic gains in advanced and developing economies drives higher global growth.
In terms of the advanced economies, increasing investment and consumption on the back of recent tax reforms will edge up the US economy.

Consequently, further FFR hikes are anticipated along with the unwinding of the Federal Reserve balance sheet in response to rising inflation approaching the target corridor. Europe's economy is projected to accelerate on improving exports and increasing consumption and accommodative monetary policy. Furthermore, growth projections in Japan have been revised upwards on robust exports, tax incentives for the corporate sector and accommodative monetary policy.

Concerning the developing economies, solid economic growth in China is expected to persist as increasing demand, particularly from advanced countries, drives exports. India's economy is starting to thrive as the effects of demonetisation and the implementation of the new tax system fade.

Consequently, the promising global economic outlook will induce world trade volume and elevate international commodity prices, including oil, in 2018. Indonesia's economy has continued to show signs of improvement, backed by a more balanced structure.

Actual GDP growth hit 5.19 percent (yoy) in the fourth quarter of 2017, up from 5.06 percent (yoy) in the previous period, which is indicative of maintained domestic economic recovery momentum.

Solid economic growth is supported by a stronger structure, with investment and exports cited as the main drivers. A relatively high investment growth has reached 7.27 percent (yoy), pushed up by building investment for infrastructure development as well as non-building investment in anticipation of increasing future demand. Meanwhile, the global economic recovery and rising international commodity prices stimulated export growth to the tune of 8.5 percent (yoy).

Furthermore, accelerated government spending and stable household consumption backed by controlled inflation has also catalysed national economic growth.

By sector, the construction sector, transportation and warehousing as well as information and communication are the main contributors to the flourishing domestic recovery. In contrast, the manufacturing industry remains subdued despite strong performance recorded in several subsectors, including the food and beverages industry, textiles and clothing as well as base metals.

Regionally, the economies of Sulawesi, Maluku and Papua have accelerated, offsetting slower growth in Java, Kalimantan and Balinusra and stable growth in Sumatra. Consequently, national economic growth in 2017 stood at 5.07 percent (yoy), the highest on record for the past four years.

In 2018, Bank Indonesia projects the domestic economy to expand in the 5.1-5.5 percent (yoy) range, buoyed by investment in ongoing infrastructure projects coupled with increasing non-building investment, including private investment, specifically machinery and equipment.

The balance of payments (BOP) has recorded another surplus and the current account deficit remains under control. Indonesia's BOP surplus in the fourth quarter of 2017 was underpinned by a significant capital and financial account surplus together with a controlled current account deficit.

A surplus of direct investment and portfolio investment bolstered capital and financial account performance. On the other hand, current account deficit in the fourth quarter of 2017 was contributed by a narrower goods trade surplus and larger services trade deficit.

Therefore, the BOP recorded a surplus totalling $11.6 billion in 2017, supported by a wider capital and financial account surplus on the previous year and a reduction in the current account deficit to 1.7 percent of GDP.

Such developments led to an increase in official reserve assets at the end of December 2017 to $130.2 billion. In January 2018, the trade balance recorded a deficit of $0.68 billion, yet was followed by a relatively high capital inflow. The official reserve assets increased yet again in January 2018 to USD132.0 billion, representing an all time high for Indonesia.

The current position of reserve assets is equivalent to 8.5 months of imports or 8.2 months of imports and servicing government external debt, which is well above the international standard of three months.

Bank Indonesia projects the current account deficit in 2018 to remain under control and within a safe threshold at 2.0-2.5 percent of GDP in line with domestic economic improvements.

The rupiah tended to appreciate in January 2018 after defying pressures in the fourth quarter of 2017. In the fourth quarter of 2017, the rupiah depreciated by an average of 1.51 percent to 13,537 rupiah per US dollar, before rebounding 1.36 percent to 13,378 per US dollar in January 2018 as non-resident capital inflows returned in line with the promising national economic outlook and appreciation of regional currencies.

In early February 2018, an increasing uncertainty in the global financial market especially related to a higher than expected FFR Rate has caused pressure on global currencies, including the rupiah.

Bank Indonesia will remain vigilant of emerging global financial market uncertainty, while continuing exchange rate stabilisation measures to safeguard the currency's fundamental value and maintain market mechanisms.

Inflation in January 2018 remained under control and within the target corridor. CPI inflation declined from 0.71 percent (mtm) the month earlier to 0.62 percent (mtm) in January 2018. Annually, CPI inflation stood at 3.25 percent (yoy), which is consistent with the inflation target for 2018 at 3.5?1 percent.

The manageable inflation stemmed from core inflation, which was controlled in line with Bank Indonesia's policy to consistently maintain exchange rate stability and anchor inflation expectations.

In addition, Administered Prices deflation, as transportation tariffs normalised after the holiday season, was also a considerable drag on headline inflation. Nevertheless, inflationary pressures on volatile foods increased as a result of soaring rice prices.

Bank Indonesia projects inflation in 2018 to be within the target corridor of 3.5?1 percent. In addition, policy coordination between Bank Indonesia and the Government to control inflation will constantly be strengthened in anticipation of a potential build-up of inflationary pressures, specifically from volatile foods.

The financial system remains stable despite a sluggish bank intermediation function. Maintained financial system stability is reflected in the high Capital Adequacy Ratio of the banking industry, at 23.0 percent, and a liquidity ratio of 21.5 percent in December 2017.

Meanwhile, congruent with efforts to enhance credit risk management in the banking industry, the ratio of non-performing loans has improved, decreasing to 2.6 percent (gross) or 1.2 percent (net) at the end of 2017.

Monetary and macroprudential policy easing was successfully transmitted through the interest rate channel, as demonstrated by the banks' propensity to reduce deposit and lending rates by 65bps and 74bps respectively from January – December 2017.

Notwithstanding, transmission through the credit channel remained ineffective due to weak demand for new loans combined with selective bank lending.

Credit growth in 2017 was recorded at 8.2 percent (yoy), up from 7.9 percent (yoy) the year earlier. Despite restrained credit growth, economic financing through the capital market, including initial public offerings (IPO) and rights issues, corporate bond issuances and medium-term notes (MTN), has continued to increase, expanding by 29.8 percent in 2017, in line with the financial deepening program.

Meanwhile, deposit growth was recorded at 9.4 percent (yoy) in 2017, down slightly from 9.6 percent (yoy) in 2016.

With the expected economic recovery and progress in terms of corporate and banking sector consolidation, Bank Indonesia predicts stronger credit and deposit growth in 2018, improving respectively to 10-12 percent (yoy) and 9-11 percent (yoy).

Moving forward, in order to optimise monetary and macroprudential policy transmission, Bank Indonesia will continue to coordinate with respective authorities.

Source: brecorder.com- Feb 16, 2018

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PET recycling up in Europe: Chinese import ban a positive impact

Studies show a steady growth in the capacity of European plastic recyclers resulting in enhanced manufacture of fibres made from recycled PET. The latest figures are good news for the industry following uncertainty over the Chinese government's decision to ban the import of plastics.

The annual Petcore conference held recently in Brussels, saw speakers from organisations including the Ellen MacArthur Foundation speak on the implementation of plastic circularity. Data from the Plastic Recyclers Europe show since 2015, the installed capacity for plastic recycling in Europe has grown from around 1.5 million tonnes to 2.3 million tonnes annually. Spain, Germany, Italy, Poland and France are accountable for around two thirds of the current capacity for plastic recycling on the continent.

Ton Emans, Chairman of PE Working Group says plastics recycling sector has been dynamic in the last few years. This shows that the industry is paving the way to enhance the circularity of plastics...The Plastics Strategy of the Commission and the Chinese import ban have already a positive impact as we see an acceleration of new projects across Europe."

Under the theme 'Strategy for PET in the Circular Economy' at this year's Petcore conference, speakers from the European Commission, the Ellen MacArthur Foundation and PCI Wood Mackenzie spoke about the PET market as well as the plastics industry in the European Circular Economy.

Petcore also focused on the European Circular Economy. Eline Boon spoke on behalf of the Ellen MacArthur Foundation, delivering a presentation 'New Plastics Economy'. Boon said there is "a global momentum to rethink the plastics system," emphasises that it isn't a case of eradicating plastics, but just approaching their manufacture and usage in a different way.

Source: fashionatingworld.com- Feb 16, 2018

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South Africa: Retail trade sales stronger than expected - Economist

The retail trade sales have increased by 5,3% year-on-year in December 2017. This was a strong growth than expected, according to Azar Jammine, a chief economist at Econometrix.

According to figures by Statistics South Africa, the highest annual growth rates were recorded for all 'other' retailers at 14,7%; and retailers in household furniture, appliances and equipment at 10,0%.

Jammine explained that there was continuing strong growth in respect of sales of furniture and appliances as well as sales amongst 'all other retailers', which some suspect is linked to increased online sales, seemingly defined as 'retail trade not in stores'.

Stats SA said that the main contributors to the 5,3% increase, with each contributing 1,4 percentage points, were: all 'other' retailers; general dealers; and retailers in textiles, clothing, footwear and leather goods.

In 2017, retail trade sales increased by 3,0% compared with 2016. The main contributors to this increase were: all 'other' retailers -11,3% and contributing 1,2 percentage points); and general dealers - 1,1% and contributing 0,5 of a percentage point.

The report revealed that the seasonally adjusted retail trade sales decreased by 2,6% month-on-month in December 2017. This followed month-on-month changes of 3,8% in November 2017 and -0,1% in October 2017.

Jammine said that "Even though on a month-on-month seasonally adjusted basis sales declined by 2.6% in December, this was less of a decline than it might have been anticipated".

Stats SA reported that in the fourth quarter of 2017, seasonally adjusted retail trade sales increased by 2,2% compared with the previous quarter.

Compared with the fourth quarter of 2016, the retail trade sales increased by 5,6% in the fourth quarter of 2017.

Jammine points out that a number of factors have contributed towards this improvement: Firstly, the ending of drought conditions in the summer rainfall regions resulted in food inflation declining quite sharply from its double digit levels at the end of 2016.

Secondly, the average value of the rand during 2017 has proved to be significantly stronger than in 2016, contributing towards a steeper decline in inflation than had been anticipated in early 2017. "It also facilitated a -0.25 % reduction in the repo rate in July," Jammine added.

Thirdly, Jammine notes that "the election of Cyril Ramaphosa as the ANC president at the party's elective conference in mid-December might have resulted in increased consumer confidence towards the end of the month, encouraging a spurt feel-good buying".

The main contributors to this increase were: all 'other' retailers - 16,8% and contributing 1,7 percentage points; retailers in textiles, clothing, footwear and leather goods - 7,7% and contributing 1,5 percentage points; and general dealers - 3,0% and contributing 1,3 percentage points.

Jason Muscat, FNB Senior economic analyst said, "We expect the sector's recovery to continue throughout 2018, spurred on by low inflation, another 25bps interest rate cut in the first half of the year, and decent real wage growth".

Source: iol.co.za- Feb 16, 2018

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Ghana textile workers want lower tariffs for utilities

Ghana's Textile, Garment and Leather Employees Union (TEGLU) has demanded a 50 per cent reduction in prices of utilities to save the sector from collapse.

The country's Public Utility and Regulatory Commission (PURC) is discussing with stakeholders for a possible review of prices of utilities, but it is unclear whether the prices will rise or fall.

Not wanting to wait for experiments through the implementation of the tax stamp regime, the union urged the government to immediately remove value-added tax (VAT) on locally-produced textile prints to save textile manufacturing companies from collapse, according to Ghanian media reports.

TEGLU also demanded a joint task force to monitor compliance of all activities of importers and to prevent the influx of cheap textiles into the country.

Local textile manufacturing companies have already sent home about 90 per cent of their workers due to the influx of pirated wax prints, high taxes, statutory levies and high cost of raw materials and utilities, according to union general secretary Abraham Koomson, who said the remaining textile workers will soon hit the streets if the government does not review the operations of the task force.

Source: fibre2fashion.com- Feb 17, 2018

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Pakistan: Gloom prevails on cotton market

Listless conditions prevailed on the cotton market on Friday, conspicuous by the absence of the buyers. Falling world cotton prices coupled with poor off-take of yarn and grey cloth continued to depress proceedings.

Absence of buying interest pushed ginners under more pressure as they are still holding substantial quantity of unsold cotton. Similarly, growers with phutti (seed cotton) are also in a fix as falling prices could hardly meet their cost, brokers said.

Currently the entire cotton economy, including the textile sector, is faced with severe crisis and as a result circulation of billion of rupees somehow slowed down because each segment is lacking activity, said Naseem Usman, a leading cotton broker.

Millions of looms are shutting down in Faisalabad and elsewhere because of smuggled grey cloth from China and India which is rendering local production line uncompetitive.

The New York cotton for third consecutive session closed easy as all the future contracts lost more ground. The other world leading cotton markets also closed easy.

The Karachi Cotton Association (KCA) spot rates were firm at overnight level.

Trading on ready counter remained negligible and barring a single deal of 809 bales from Hala, done at Rs5,100.

Source: dawn.com- Feb 17, 2018

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Can Hong Kong Keep the Cool Factor?

Hong Kong has long been a key player in the global fashion business, but as the creative industries become ever stronger on the Chinese Mainland, the city is losing its influence.

For decades, Hong Kong's reign in Asia was unrivalled. Sitting on the Pearl River estuary, with a dazzling skyline and panoramic views, it was considered the New York of the East. A hub of finance, tech, manufacturing, design and trade, it has been a magnet for the world's elite.

Historically, the flexibility enjoyed by Hong Kong as a British colony, like freedom of speech and press, helped it gain advantages in a range of sectors, including the fashion industry. But since the return of sovereignty to China 20 years ago, Asia has undergone dramatic changes and the Chinese mainland, in particular, has transformed into a global powerhouse.

"I think Hong Kong is basically trying to discover its position in terms of the new fashion landscape," observes Shaway Yeh, group style director of Modern Media Group and a guest at Fashion Asia Hong Kong, a forum organised by the Hong Kong Design Centre, which ran during the latest Business of Design Week in December.

Featuring a range of local and international talent, from Vivienne Tam to Susie Bubble, the forum had big but blurred ambitions. "I didn't quite understand the focus or the intention," offers Yeh, continuing "but it's a nice portfolio of speakers. It's trying to address the big issues, yes, but what's the point of view?"

During the city's Business of Design Week, which featured over 70 speakers from 15 countries, Carrie Lam, chief executive of Hong Kong, announced her government will inject a further $1 billion into a fund to fast-track the creative industries. But with such ambitious financial support on the cards, why aren't more Hong Kong designers breaking through?

Losing its Shine

Unpicking Hong Kong's labyrinth of fashion initiatives and the complex structure of its events, as well as difficult positioning, could be part of the problem. Last September, when the fashion industry headed West for New York Fashion Week, Hong Kong was preparing for its own fashion week called Centrestage.

Organised by the Hong Kong Trade Development Council (HKTDC), it, along with nearly all of Hong Kong's premier fashion events including Business of Design Week, is held at the sprawling Hong Kong Convention & Exhibition Centre. "We can handle scale, like the largest fairs in the world," boasts Sophia Chong, assistant executive director of event organisers HKTDC. "But when we look at Centrestage, it's a different matter."

"We want it to grow in quality, not quantity, not exponential growth. We want a good curation of content so it will attract the right people to come. Buyers will see brands from both sides of the world, Chinese brands might come and get exposure westward as this is a two-way platform, but we still want to focus on Asian brands. Japan, Seoul, China — they all have their local buyers, but we want to act as a one-stop shop that is well-curated."

Yet, with initiatives such as the recent China Day at New Work Fashion Week Men's and last year's Innersect event in Shanghai — where Edison Chen brought a slew of cool fashion brands and the likes of A$AP Rocky — the services offered by Hong Kong events like Centrestage can seem almost static in comparison.

"Right now, it is a very well meaning showcase that gives designers the opportunity to hone their skills in presenting and production," says Simon Lock, chief executive of Ordre, an online luxury wholesale platform. "But does this event attract any meaningful buyers? No. Their opportunity has long gone, long gone. They should have been much more proactive 20 years ago in realising what the opportunity was. Now, Shanghai has it and well done to them."

Erica Ng, senior editor of retail intelligence at WGSN Asia is well aware of the strides that other Asian countries are making. "It's only a matter of time before Shanghai and China catches up," she says. However, she is positive about her hometown. "I tend to think Hong Kong still has something going for it. It's going to be a while before mainstream brands are thinking more deeply on the mainland about brand building. Hong Kong brands are aware of the power of brand-building."

Taking part in the opening show at Centrestage, which featured 10 local designers, was menswear duo Ka Wa Key who have been cleverly building their brand through an experimental mix of installations and performances. "Hong Kong is definitely one of the more interesting cities for fashion retailing," says co-founder Ka Wa Key Chow, whose brand moves between showing at London, Shanghai and New York.

Retail Recovery

With big box retailers and well-established niche boutiques, Hong Kong is essential for any fashion brand's global wholesale and retail strategy. But retail sales are also critical for Hong Kong, accounting for an estimated 17 percent of the economy's growth and about a tenth of its jobs. Consultancy firm PwC expects retail sales growth in the city to grow 4 to 6 percent in 2018 and to remain firm for several years after that, following a 1.9 percent rise in 2017 after two straight years of decline. However, some industry insiders feel that the city has lost its place at the top of the Asian pyramid when, in its heyday in the 1990s, Hong Kong stood firmly in second place behind Tokyo.

"I think 10 years ago when we talked about Asian fashion, fashion retailing here in Hong Kong was very strong. Lane Crawford, Joyce, I.T and others, they all had a lot of influence on the market," says Tasha Liu, co-founder of Chinese retailer Dong Liang. [But] there is no denying that in the past five years, Shanghai Fashion Week has given more brands advantages. "Now, many fashion businesses and talents are moving into the Greater China market, so maybe Hong Kong is kind of losing its position. I don't think it's about the nationality; ultimately, it's about the individualism of the design."

Hong Kong's importance as a tourist destination, especially for luxury retailers, has also been put in question in recent years, although visitors to Hong Kong from the Chinese mainland are rising again. Numbers increased 3.9 percent in 2017 after falling 6.7 percent in 2016. Total visitors also increased in 2017 after declining in 2015 and 2016.

Still, the scene in Shanghai is naturally expanding and trading on its newfound 'cool' factor. "Showrooms have now opened, selling Chinese designers. There is now the Mode trade show, people like Tranoi and Tomorrow Showroom are looking at going there and having a part of it, and buyers are going too. China is such a huge domestic market with new multi-label boutiques. The consumer market is becoming sophisticated and emerging designers like Angel Chen are quickly becoming local heroes. Shanghai has got it right and Hong Kong has lost it," argues Kirsten Lock, fashion director at Ordre.

But not all agree with this assessment. Based between Shenzhen on the mainland, and Hong Kong, is duo Ffixxed Studios. Taking part at Centrestage, founder Kain Picken says, "there's a unique relationship between Hong Kong and Shenzhen and we can capitalise on this."

Shenzhen is a tech hub that is easily reachable from Hong Kong and is now home to the recently opened V&A-approved culture centre on on the waterfront in Shekou, a gentrifying port district in Shenzhen, as well as multiple creative zones across the city.

"Everything is streamlined for foreign investment and foreign business here. Also, aside from the practical nuts and bolts, there's still something very special about Hong Kong as a city. There's a pace and a density to the city that you don't see elsewhere," explains Picken.

That is not all. Thanks to the legacy left by sourcing giants like Li & Fung and its competitors, Hong Kong remains one the world's largest clothing exporters. The H&M Foundation recently initiated a partnership with the Hong Kong Research and Institute of Textiles and Apparel, Hong Kong's renowned research facility.

An estimated $6.8 million funding backs this collaboration and total investment in the project, due to run until 2020, is estimated to be over $35 million .

Global Ambitions

Hong Kong's economy is forecast to grow by 3 percent in 2018, according to BMI Research, and while this is a downtick from previous forecasts, it remains strong compared to many Western economies.

As a leading financial hub for Asia with a familiar legal system, Hong Kong continues to be a favourite location for Asia-Pacific headquarters when fashion and luxury brands establish regional offices. And while its status as a gateway has been diminished due to the city's rocky relationship with the Chinese government, Hong Kong is about to reclaim some of that back when the Hong Kong-Zhuhai-Macau bridge opens later this year. The 55-kilometre crossing will link Macau and Hong Kong with cities on the Chinese mainland. It is hoped that the increased connectivity will bring big economic benefits to Hong Kong.

"In these recent years there has been a new will to improve things, plus an injection of money and new direction, but it takes time. We were going to move to Shanghai at one point, but now it really suits us to stay," says Ffixxed co-founder Fiona Lau.

Hong Kong has overtaken Singapore to reach the top of the Heritage Foundation's economic freedom rankings which looks at factors like corruption and mobility of labour. Mao Ji-Hong, the founder of Exception de Mixmind, a Chinese fashion brand that garnered attention after China's first lady wore a trench coat custom-made by the label, sits on the advisory board of the HKDTC advisory and agrees that the commercial procedures are clearer in Hong Kong, but believes that designers have better opportunities in China not least due to the size of the market.

"In Shanghai, for example, the atmosphere is forming, there are more local designers training outside of China. But as a hub, Hong Kong should explore more in Thailand, Vietnam and Japan to enhance its reputation in Asia," he says.

Dong Liang's Liu, who was also a judge at Centrestage, echoes these sentiments. "Hong Kong can have a great impact on Southeast Asia and is a hub for cities like India, Thailand and so on."

While Lawrence Leung, HKTDC Garment Advisory Committee chairman, agrees that the parameters are shifting, he is optimistic. “Although there is little manufacturing in Hong Kong now, the brains are here. We have few restrictions to visit and easy access into China and Asia.”

Ordre’s Lock, who is also a Hong Kong resident, cites some of the globally renowned insiders from the city such as retailers like Hypebeast, photographers like Tim Wong, stylists like Declan Chan and bloggers like Tina Leung as key to keeping the cool factor alive in Hong Kong.

Fashion designers are also starting to shift West. For the first time, the HKTDC will spotlight four leading Hong Kong fashion brands at London Fashion Week, in a line-up that includes Heaven Please+, House of V, Maison Vermillion and Methodology. Last week, the organisation hosted a runway show at New York Fashion Week, featuring local labels like Anveglosa and Harrison Wong.

“There is an underbelly of movers and shakers, influencers who are often born in Hong Kong, but educated internationally, so they have a ‘glocal’ view on branding, somewhat different to their predecessors,” explains Lock. “Their influence is known to those embedded in the Asia-Pacific industry and they are now starting to go global too.”

Source: businessoffashion.com- Feb 16, 2018

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NATIONAL NEWS

Maharashtra government gives impetus to textile sector with the New Textile Policy 2018-2023

The new textile policy of Maharashtra was unveiled by Honourable Chief Minister Shri Devendra Fadnavis recently. The policy is a new wave in textile sector of Maharashtra, which aims to create over 10 lakh jobs in the next five years and double the farmers' income by the year 2023.

With several investor friendly benefits especially in terms of power subsidies, it is expected that textile sector would attract worth INR 36,000 crore during this period. Further, there is emphasis on invigorating the garment, knitting and hosiery sector, which would benefit the women who form a major part of workers in the state.

The policy initiatives aimto strengthen the cotton sector and rejuvenate the silk & wool sector. The highlight of the policy is the innovative approach to promote non-conventional yarn and green energy in the textile sector. A holistic approach was observed while drafting the policy wherein skill development and R&D has been given priority. Under this, state plans to come up withits first textile university and set-up world class R&D units within state agriculture universities in collaboration with various Centre of Excellences across the country.

It is the first time, Textile Department is looking at strengthening the finances of the textile sector by creating a "Textile Development Fund" which would provide better infrastructure and development of the sector.

The Textile Policy 2018-23 highlights are as follows:

- **Strengthen the cotton sector** – Encourage and support spinning mills in the cotton growing areas. The focus is to bridge the gap in the value chain by increasing spinning mills and also help in establishment of effluent treatment plant by providing additional capital subsidy.

- **Rejuvenate the silk&wool sector**– Until now the focus has been on cotton promotion only; butnow the Government also intends to promote wool & silk sector with special focus on Tussar Silk in Maharashtra. Necessary infrastructure and trainings will be provided to the farmers and artisans. Some of the key initiatives include creation of “AdhyatmikReshim” brand, silk tourism circle, silk cocoon centres, chawki centres, setting up automatic reeling centre, drying units, godowns for storing cocoon before reeling etc.

- **Catalyse the potential of the non-conventional yarn** such as Bamboo, Banana, Hemp, Coir, etc.Additional 10% subsidy for its production as well as its use in garmenting and technical textile will be provided. A special cell will be formed at textile department for promotion of non-conventional yarn in the State.

- **Harness the high technology sunrise sector of Technical Textile** in areas such as Mobiltech, Meditech, Agrotech, Sportech, etc.

- **Textile Parks** - Continuation of scheme providing INR 9 Cr or 9% of project cost (GoI 40 Cr Max) whichever is lower (SITP Scheme Projects). Setting up coastal textile park in Maharashtra at suitable location is also proposed. Presently 14 Textile Parks by private investorsand 10 Textile Parks by MIDC are being developed with plug and play facilities and CETP

- **Subsidy for green initiatives** - Additional 10% capital subsidy for vegetable dyeing as well as producing and using non-conventional and organic yarn. Further, to promote non-conventional power (solar and wind), only transmission charges will be applicable for those non-conventional power plants.

- **Electricity** - A budget provision of INR 150 crore is accounted for electricity subsidy to cooperativespinning mills with a cap of INR 3 per unit. In case the burden on the total budget increases, the cap will be revised suitably. The benefit of powerloom will be extended to knitting, garmenting and hosiery units as well. Also, high tension line units with more than 107 HP will be eligible for subsidy of INR 2 (Excluding cooperative spinning mills). There will be no cross subsidy charges for open access power for textile units. Benefits of power subsidy given to power looms will be extended to knitting, garment and hosiery units as well.

- **Human Resource Development** – For academic support "State Textile University" will be set up in Vidarbha providing specialised courses in the focussed sectors. Technical collaboration with institutes such as SASMIRA/ CIRCOT/ Centre for Sustainable Fashion, etc. will be initiated to grant specialized training to the artisans. An International Standard R&D Centerwill be established at State Agriculture universities.

- **Financial strengthening through** "Textile Development Fund"– Fund will be formed through mobilization of assets, privatization of spinning mills, CSR activities of private industries, etc.

<u>Capital subsidy scheme for the state is as follows:</u>

- Subsidy for units in:
  - Processing, technical textile, knitting, hosiery, garment: 40%
  - Other processes not included in above i.e. ginning and pressing, spinning mill; new power looms based on latest technology and; conversion of plain power loom to latest technology is 25%, however, if a composite unit is set-up which hasmore than 2 more of these processes then the subsidy will be 35%
  - Additional subsidy of 5% to the units belonging to SC/ST and Minority community

- Further, additional capital subsidy of 20% is provided for processing, knitting, hosiery, garment and technical textileunits in the Vidarbha, Marathwada and North Maharashtra region. Similarly for other processes such as ginning, composite unit, pressing, spinning mill; it is additional 10%.

- Additional 10% capital subsidy for vegetable dyeing as well as producing and using non-conventional yarn.

- Projects with investment of more than INR 500 crore would get an additional 5% subsidy and for pioneer projects in a tehsil, additional 5% subsidy will be provided.

- Capital subsidy would be disbursed in two equal instalments at 3rd and 15th month from the date of commencement of production in the unit.

The state scheme of 25% of project cost or INR 37.50 crore whichever is lower for IPDS projects is continued in the new policy as well. Capital subsidy is also provided for machinery required for ZLD-ETP/CETP.

Further, matching grants would be given to units in accordance with centrally sponsored IN-SITU-Upgradation scheme for powerlooms.

Source: mahatextile.maharashtra.gov.in- Feb 16, 2018

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GST blues, MSMEs worry as exports of readymade garments shrinks by 8.4 per cent

Commenting over the sharp decline in the volume of exports of readymade garments and fabric sector as revealed by the government data, the Micro, Small and Medium Enterprises (MSMEs) that primarily dominate the sector worry that with the teething effects prevailing under Goods and Services Tax (GST), things are far from getting eased.

The Data from the government revealed exports of readymade garments fell 8.4 percent to $1.39 billion, also Cotton yarn and fabric exports declined 9.6 percent to $0.84 billion.

Talking to KNN, Animesh Saxena, an MSME garment exporter said that the difficulties that surrounded the MSMEs during the early GST days continue to haunt the sector. "The GST is yet to become a Good and Simple Tax for the country, the low trade figures explains that quite well".

Saxena further said that the profitability is badly hit and the Indian garments are not able to stand the global competition. Duty drawback rate as well as the 'not very smooth' GST refund mechanism is leading to a lot of complication, he added.

Echoing along similar lines, Federation of Indian Exporters (FIEO) in a statement said that the labour intensive sector including garments couldn't perform well in exports due to the continuing effects of the new taxation in the country.

A slowdown in exports from labour-intensive sectors like garments, carpets, handicrafts and man-made textiles was primarily due to liquidity crunch as tax refunds have been getting blocked since the introduction of goods and services tax, FIEO said in a statement.

FIEO further informed that the exporters have been asking the government to look into the refund issue "seriously" by undertaking a drive so as to clear all cases by March 31, 2018.

Source: knnindia.co.in- Feb 16, 2018

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Pashmina needs a major makeover to survive in Kashmir

Pashmina, the heritage and identity of Kashmir, needs an urgent makeover in order to survive its roots. Kashmir's handloom industry needs to adapt to changing times and not seek protection from the government. The government needs to bring in policies that favour the handloom industry and bring in renaissance. The industry on the other hand needs to be competent enough to stand on its own and carve a niche for itself.

Inherent advantages

Pashmina goats in Ladakh produce the finest quality of raw Pashmina fibre in the world. It's very rare at less than 0.1 per cent of the global supply. The fineness of Pashmina fibre from Changthang in Ladakh is usually between 12.5-14 microns while the best fibre from China is around 15 microns. In fact, the crème-de-la-crème of global luxury brands use 15-15.5 micron Chinese Cashmere. If planned genetic breeding of Pashmina goats in Ladakh to produce finer fibres does not take place, the tradition of Pashmina goat rearing in Ladakh will be extinct in a few years.

The state on its own or through public private partnership model needs to have a Pashmina wool de-hairing plant in Kashmir. Secondly, in order to spin fine yarns on a machine, a synthetic – generally nylon, has to be added to Pashmina in order to give it strength.

This synthetic is later removed by an acid bath, which decreases the quality of the final product. The Charkha spun traditional Pashmina yarn is softer and more durable. However, here too it's a matter of time before the Charkha is replaced, and rightly so.

The latest R&D in the top Italian mills has produced fine Pashmina yarn without the addition of synthetic to counts as fine as 140/2nm, a number which any Pashmina trader will tell you is a shocking.

The only way the Charkha will survive for the next few decades, is through genetic makeup based breeding programs and the fineness of the Pashmina goats in Ladakh is worked upon. The Pashmina goat in Ladakh (eastern Changthang) has an average fibre fineness of 12-14 microns – much finer that the best of what Chinese Pashmina goats can offer.

Much R&D has not taken place in the west on such fine Pashmina fibres for they have limited access to it. Hence, if the fineness of the Pashmina goat fibre in Ladakh can be worked upon, resulting in lower microns, not only will the Charkha keep spinning in the valley, but Kashmiri businessmen will be able to make better products than the Italians and the nomadic communities of Ladakh could make more money.

For long term survival it is important to create products that machines cannot produce – be it through design or by quality – all energy should be focussed on that. Apart from the power looms, which produce lower quality fabrics than the charkha-spun handloom-woven ones, the focus must be on getting basic regulations in place such as strong textile labelling.

One can sell a synthetic scarf labelled as 100 per cent Pashmina and it is legal. Textile labelling is mandatory in almost every country of the world and should be implemented as a must-have here too. Every product should be sold with a label that declares fibre content (100 per cent Pashmina, 50 per cent Pashmina, etc.) and whether it is hand-woven or not.

Positives steps in the right direction

A positive step was taken by the state by establishing the Pashmina Testing and Quality Control Centre (PTQCC), 'The Lab'. Another good initiative was getting the Geographical Indication or GI Mark, which prohibits anyone from using the term 'Kashmir Pashmina' unless it's lab-tested and has a non-removable sticker on it placed by the PTQCC.

Now, the government needs to advertise the GI sticker at the right channels pan-India, not on local Kashmiri radio, so that the major customer, i.e. the north Indian female knows about it and will look to buy a Charkha-spun handloom-woven Kashmir Pashmina shawl with a GI label.

Source: fashionatingworld.com- Feb 16, 2018

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Hyosung Corp to invest Rs 3,000 cr in Maha spandex project

Hyosung Corporation of SouthKorea, the largest global spandex producer, is likely toinvest around Rs 3,000 crore in a manufacturing facility in Maharashtra, a top government official said today.

The project will be set up in Aurangabad Industrial City (AURIC), a greenfield smart industrial city being developed across 10,000 acres, as part of the Delhi-Mumbai Industrial Corridor (DMIC), the official said.

“Hyosung Corporation is likely to invest around Rs 3,000 crore in a manufacturing facility in Maharashtra. In the first phase of the project, the company will invest Rs 1,250 crore and the state government will soon take a decision onits request to allot 100 acres land near Aurangabad,” the official told PTI. “Work on the project will begin in April this year and the production is expected to start in May next year,” the official said.

The land cost would be around Rs 120 crore and the company has already paid around five per cent of the amount, he said. Around 1,000 jobs are expected to be generated in the first phase of the project, the official said.

During his visit to South Korea in September 2017, Maharashtra Chief Minister Devendra Fadnavis had met Hyosung Corporation president H S Cho. Hyosung Chairman and CEO Cho Hyun-joon will be attending the ‘Magnetic Maharashtra’ investor summit in Mumbai next week, the official said.

Hyosung, a leading chemical and technological textile company, had then evinced an interest in investing in spandex manufacturing for the textile sector, the official said. Hyosung Corporation feels that India is a key focus market for the company, which is working with several leading Indian players in the textile field, he said.

The market size for spandex yarn in India is estimated to be over 1,500 metric tonnes this year and the growth of Indian spandex market has been over 10 per cent between 2014 and 2015, he said.

Source: freepressjournal.in- Feb 16, 2018

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At Europe's largest lifestyle expo, Indian exporters continue to feel the bite from GST

India packed off the third-largest contingent of exhibitors at the Ambiente 2018, Europe's largest lifestyle expo on home, decor and living trends. Exhibitors from across the country - 415 of them - had assembled at the sprawling Hall No 10 to display their wares, and solicit inquiries, presumably from international audiences.

But for most of the Indian travelling lot, there was a subdued air of disenchantment. Almost everyone agreed that it had to do a lot with the aftereffects of the Goods and Services Tax rollout, and the little help received from the government. "There has hardly been any support from the Government. The GST refund that was promised to us has not come into effect," Asad Shamsi of Iqbal Paramount Metal industries, said.

For Shamsi, this is not the first visit to the Ambiente. Shamsi, who came with four members of his family from Moradabad, is paying 250 Euros for a square metre of space and while he has received 8-10 serious enquires so far, he does not know how many will convert.

That's something Quresh Husain of Mairaj Brothers agrees with. He says that the delay in GST refund has led to a 25-30% working capital being blocked.

According to Ajay Sahai, DG & CEO, The Federation of Indian Export Organisations (FIEO), in the first nine months of this fiscal India has clocked around 12% growth in exports and touched about $224 billion in value terms and therefore is on course to achieve $300 billion of exports. "But, export is passing through tough times, mostly because of the domestic factor as well as the global factor," says Ajay Sahai, DG & CEO, The Federation of Indian Export Organisations (FIEO).

According to the recent Economic Survey, export growth in 2016-17 was fairly broad based with positive growth in major categories except textiles & allied products, and leather & leather manufactures. "In 2017-18 (April - November) among the major sectors, there was good export growth in engineering goods and Petroleum crude and products; moderate growth in chemicals & related products, and textiles & allied products; but negative growth in gems and jewellery," said the Survey.

Table 5 : Sector wise share and growth rate of exports

Rank		Share (per cent)			Growth rate (per cent)		
		2015-16	2016-17	2017-18 (Apr-Nov) (P)	2015-16	2016-17	2017-18 (Apr-Nov) (P)
1	Engineering goods	23.1	24.4	25.9	-17.0	11.1	22.4
2	Gems and Jewellery	15.0	15.7	14.4	-4.8	10.5	-3.8
3	Chemicals and related products **	14.7	14.2	14.5	0.6	1.6	11.9
	of which						
	Drug & pharmaceutical	6.2	5.8	5.4	9.9	-1.2	-0.7
4	Textiles & allied products	13.7	13.0	11.8	-3.2	-0.5	3.8
	of which						
	Textiles	5.6	5.2	4.9	-8.5	-2.3	5.9
	Clothing	8.1	7.8	6.9	0.8	0.7	2.4
5	Petroleum crude & products	11.7	11.4	11.8	-46.2	3.1	17.6
6	Agriculture and allied products *	9.9	9.5	9.7	-17.6	0.3	15.0
7	Electronic goods	2.2	2.1	2.0	-5.3	0.0	4.5
8	Marine products	1.8	2.1	2.7	-13.5	23.8	29.5
9	Ores and minerals	0.8	1.2	1.0	-16.4	61.6	12.9
10	Leather & leather products	2.1	1.9	1.9	-10.3	-4.4	0.9
	Total exports including others	100.0	100.0	100.0	-15.5	5.2	11.2

Source: Computed from D/o Commerce database. P : Provisional
Notes: *: including plantation. **: including plastic and rubber products

Sahai says when it comes to the global factor, there has been a huge volatility in currency as the Indian rupee is appreciating whereas most other competitor currencies are depreciating. "At home the major problem which the sector faces is around GST and the time lag it takes to claim refunds. Since the cost of credit is pretty high in India, this is blunting the competitive edge of Indian export depending on sector to sector and the production cycle. But, on a rough estimate we feel that in most of the cases the competitive edge is blunted by around 1-1.5%," says Sahai.

When the alarm bells started ringing that an estimated Rs 65,000 crore worth of exports could be stuck by the end of 2017, the GST Council on October 6, 2017 announced a slew of measures, including putting in place a refund process for input tax credit. However, it is clear the process has not fructified and exporters still feel the pinch.

"The Government wants us to better China. But, it refused to extend any of the help that Chinese traders get from their government," Husain says.

Shashwat Shah of Lois Creations, that deals with metal and glass gifting products, has been a regular at the Ambiente for 14 years now, and while he says that he has received serious inquires, he agrees that the mood is relatively quiet.

"The Government has to deliver on GST and the promises it made. Small traders like us are feeling the pinch of GST quite hard, and it needs to be arrested," says Shah. Another exhibitor, Jai Gupta, agrees and echoes similar views. Gupta says that for the 200 plus traders from Moradabad who have made it to Frankfurt this year, there is a cloud of GST that's been looming large.

"We can ever think of taking on China if we cannot get our basics right," he points out, ruing the delays and confusion around GST refunds. But not everyone is complaining. Mohanish Nair, deputy manager, Yera, says that the rollout has brought down costs, "Compared to last year, the hidden costs have gone down."

Source: economictimes.com- Feb 16, 2018

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Carriers seeking competitive edge leads to more JNPT reshuffling

With a 2.4 million TEU capacity addition from new concessionaire PSA International and increasing vessel sizes, more container ship operators and alliances are resetting their terminal options at Jawaharlal Nehru Port Trust (JNPT) in pursuit of economies of scale and higher productivity rates.

DP World Nhava Sheva, which suffered a blow when a CMA CGM-led intra-Asia consortium, dubbed the Swahili Express, moved over to PSA's Bharat Mumbai Container Terminals (BMCT) for an inaugural call on Feb. 2, has fought back by winning a major, long-time customer from the neighboring port-owned terminal.

Sources at the Dubai-based company told JOC.com that a nine-vessel, India-North America service, known as the India America Express (Indamex), will end its berthing window arrangement with Jawaharlal Nehru Container Terminal (JNCT), with a March 4 arrival of the OOCL Washington, and will shift to DP World's Nhava Sheva (India) Gateway Terminal (NSIGT). The change is slotted to begin with a March 11 call from the 6,400 TEU Priority, these sources said, who spoke on condition they not be identified.

The weekly Indamex is a vessel-sharing agreement (VSA) between Hapag-Lloyd, CMA CGM, APL, Orient Overseas Container Line, and NYK Line. Four ships are from Hapag-Lloyd, two from CMA CGM, and one each from the other three partners.

The 63-day, round-trip Indamex rotation is as follows: Nhava Sheva (JNPT) and Mundra, India; Damietta, Egypt; New York, Norfolk, Savannah, and Charleston, the United States; Port Said, Egypt; Jeddah, Saudi Arabia; Port Qasim, Pakistan; and back to Nhava Sheva.

The terminal reshuffling is also seen as a "preparatory move" by these liners to upsize their tonnage deployments in the joint service, as they envisage crane capacity constraints at JNCT, sources said. The OOCL Washington is said to have a nominal capacity of 8,063 TEU.

Officials at DP World Nhava Sheva, which includes Nhava Sheva International Container Terminal, did not confirm or deny the update when contacted by JOC.com for comment.

For JNCT, whose April-to-January volume fell 3 percent year-over-year, the Indamex has been a premium customer and its loss could bleed the public facility heavily. The Indamex currently has an average of intake of nearly 2,000 TEU per call, in addition to significant imports, at JNPT, and its liftings are expected to increase with larger vessels in the pipeline, according to market sources.

That change comes on the heels of BMCT wresting an India-Europe call, under a VSA between Hapag-Lloyd, CMA CGM, and Hamburg Süd, from APM Terminals' Gateway Terminals India (GTI). The Europe-Pakistan-India Consortium 2 held its first call at BMCT on Feb. 11. However, GTI hopes to offset that loss by the addition of a new intra-Asia service jointly introduced by Cosco Container Lines and Wan Hai Lines, which had the maiden GTI call on Feb. 12. "This new port call adds another choice for our customers shipping to and from the Far East. More choices create stronger supply chains and business growth," an APM Terminals Mumbai official told JOC.com.

Amid a tussle between newcomer PSA and its peers over handling of mixed trains, Indian Prime Minister Narendra Modi will visit JNPT on Feb. 18 to formally commission BMCT, which entailed a Rs. 4,719-crore (about $737-million) investment in the first phase. A second phase of the same capacity is targeted for completion by 2022.

JNPT handles the majority of India's container trade and as such, the government has lately been showing a keen interest in improving supply chains there with a slew of proactive schemes and closer stakeholder coordination.

DP World Nhava Sheva handled 1 million TEU in the April-to-January period, a 10 percent increase year over year, statistics show. Additionally, NSIGT holds the feat of hosting the largest container ship ever to have called Indian shores, with the 13,000 TEU MSC Cristina docking there in April last year.

As New Delhi feverishly works toward a "hub-and-spoke system" for domestic cargo distribution through private participation, the Dubai-headquartered group is eyeing opportunities "beyond the terminal gates" such as integrated supply chain management systems to further consolidate its operations in the country.

Source: joc.com- Feb 16, 2018

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Is The Modi Government's Policy On Bt Cotton Hurting The Textile Industry?

Job intensive cotton farming is important for our country and this is what the government must do to tap its potential.

Growing cotton has never been less than a roller coaster ride for farmers. It had its ups and downs, twists and turns. The only difference being roller coaster rides in fun parks are meant for fun and rarely kill people.

But cotton farming has witnessed awfully large share of farmer's suicides. And that is really unfortunate. More unfortunate is apathy of the government towards cotton farmers, in particular, and farmers, in general, till Narendra Modi came to power in 2014.

The solace provided by reformed Beema Yojana, fast tracked irrigation projects and other measures was very short lived. Farmers were hit, hit very hard, by Pink Bollworm Attack.

There are various accounts provided by different agencies of the damage caused by pink bollworm in 2017-2018.

Kishor Tiwari, president of Vasantrao Naik Shetakari Swawalamban Mission, has said that 50 per cent of the crop has been damaged. Government agencies claim that the crop damage has been limited. Some industry veterans, who swear by their experience, say that cotton yield varies in the band of +/- 15 per cent year-on-year basis, not less and not more. And there are some bullish speculators who try to paint a grim picture of huge crop loss and push prices up. Unfortunately, we do not have a reliable, efficient and scientific system to predict production, yield and damage to the crop. The real loss/gain of cotton crop will only be known at the end of the season when we get numbers for cotton bales produced.

It is true that this loss was unprecedented. It is also true that it was avoidable. Unlike hurricane or unseasonal rains, this loss was not sudden and was certainly not beyond human limitations. The seeds of the loss were sown long ago. Way back in December 2015, director of Central Institute for Cotton Research (CICR), Dr K R Kranti, had warned the government on the resistance developed by pink bollworms to two CRY toxins in Bollgard II. But there is huge inertia in government and it moves very slowly. Dr Kranti's warnings were ignored.

If we discuss the history of genetically modified Bt (Bacillus thuringiensis) cotton in India, briefly, it will help us understand the issue better. Way back in 2000-2001, the yield of cotton per hectare was less than 300 kilogram. Initially in the 2001-2002 season, farmers sowed Bt cotton seeds on a large-scale without waiting for government approving the genetically-modified variety. The Atal Behari Vajpayee government was quick to understand that adoption of Bt cannot be stopped and hence it gave approval to genetically-modified cotton with CRY 1AC gene.

The results were telling. The cotton yield per hectare exceeded 300-kg mark and steadily went up. The arta under Bt cotton increased as more farmers preferred the genetically-modified version.

By 2016-2017 season, over 95 per cent of cotton sown was the Bt variety, with US seed major Monsanto enjoying the patent for the CRY 1AC gene. This helped the yield per hectare to increase over 550 kg. From 278 kg to 568 kg a hectare was a great leap forward - more than double. In the same period, use of pesticides was reduced significantly. And farmers benefited hugely.

The journey was never smooth, though. There were many opponents to Bt technology, mostly non-governmental organisations (NGOs).

Unsubstantiated rumours were that the opposition to Bt was funded by the pesticide lobby, which suffered a loss of business. Here again, we do not have concrete data to prove this point. But speak to farmers and they will corroborate the story.

In the meanwhile, bollworms developed resistance to Bt I. Mahyco, Monsanto's partner in producing Bt cotton in India with CRY 1AC gene, was quick to introduce the Bt-II variety. Soon by 2012-2013 Bt-II began losing its potency in resisting bollworm. Mahyco Monsanto submitted an application for field trials of the Bt-III variety, that was supposed to be effective against bollworm and herbicide-tolerant. This variety would have helped farmers reduce de-weeding costs. Instead of employing labour to remove weeds, herbicide sprays could be used. Cost of spraying was much lower than cost of manual de-weeding. But again, agriculture in India is not a smooth business. It has its ups and downs. An unknown danger was lurking around the corner and it took everyone by surprise.

In June 2015, Nuziveedu seeds owed a little over Rs 120 crore in royalties to Monsanto. Instead of paying the dues, as per the agreement, Nuziveedu sent one of its representative to negotiate. It sought a concession in the amount due but Monsanto refused.

The story, however, does not end there. Nuziveedu representative left the meeting threatening that Monsanto will face the 'consequences', if we believe the report that appeared in *Reuters* (Monsanto meets its match as Hindu nationalists assert power in Modi's India By Mayank Bhardwaj, Rupam Jain and Tom Lasseter*)*.

Nuziveedu roped in Rashtriya Swayamsevak Sangh (RSS) and its affiliate Bharatiya Kisan Sangh (BKS) to help them fight Monsanto. Prabhakar Kelkar, vice-president of BKS, said that farmers, seed companies and BKS must come together to wage a war against Monsanto. Why farmers need to fight Monsanto? For 'swadeshi' lobbyists, the answer is simple. They believe that a royalty payment of Rs 163 per packet of cotton seed sold at Rs 830-Rs 1,100 was too high. It was a 'loot'. But these people forget the very fact that seed cost is but a minuscule part of total cost of cotton cultivation. Labour cost is the highest followed by pesticides cost. More money is spent on fertilisers than on seeds.

Also, those who advocate *swadeshi* tend to forget that the Bt seeds patented by Monsanto were responsible for doubling the yield of cotton per hectare. They also tend to forget the fact that none of the Indian research institutes or *desi* universities could come up with a gene like CRY 1AC that could help tackle pests like Monsanto Bollgard. Then why bat for ‘swadesi’? The answer to this question is best known to them. It will be prudent to note that Monsanto received about Rs 4,500 crore in royalties in some 10 years. In the same period, our farmers received more than Rs 20,000 crore by way of improved yields!

Unfortunately, as cotton yields increased, so did the reliance of farmers on this crop. But government did not have a stable import-export policy. Hence, cotton prices fluctuated up and down, forcing farmers to bear losses. And when losses became unbearable, many committed suicide. Unfortunately, Bt cotton seeds were blamed for the suicides and many believed the theory. The Government, under the influence of ‘swadeshi' lobbies and likes of Bharatiya Kisan Manch, was too eager to oblige.

In a surprise order, Union Agriculture Minister Radha Mohan Singh slashed the price of 450 gm packet of Bt seeds from Rs 830-Rs 1,100 to Rs 800. The royalty was cut from Rs 163 to Rs 49. The reduction was unilateral. Monsanto was not consulted in the process. When the retail price is uneconomic, seed companies lose interest in the business. Ideally, demand and supply dynamics must decide the price of commodities. Government’s intervention does not help the cause of free markets. But in the garb of helping farmers, government exercised its control over huge seed market.

Annoyed by this unilateral cut in royalties, Monsanto moved the High Court but failed to get a relief. It then decided to quit cotton seed business in India. It withdrew its application submitted to the Genetic Engineering Approval Committee for the latest Bt-III round-up ready seeds. Had the seed been commercially launched, it would have reduced the cost of de-weeding substantially.

Indian seed companies are now selling the same old Bt seeds that have not been effective against bollworms. This resulted in damage to Bt cotton crops, especially in Maharashtra and Telangana. Farmers in Gujarat, however, with the help of the State government and Monsanto controlled the damage to a great extent by adopting modern pest control techniques.

The pink bollworm damage is a failure of farmers and state governments in Maharashtra and Telangana. There is another reason why farmers must take some blame for failure of Bt-II. Right from the beginning, farmers were advised to sown non-Bt or traditional cotton variety around their Bt cotton crop. (The traditional seed varieties are usually supplied along with the Bt variety since it is mandatory for seed companies to do so.) These traditional varieties must surround the Bt variety in two rows, called the refuge area. Building such a refuge area helps in the pests not developing immunity to the Bt gene eliminates them. The refuge would have at least delayed pests building immunity to the Bt cotton gene. But farmers did not plant refugee rows are paying a heavy price for ignoring the advice.

In the current season, some companies sold Bt-III or Bt Round-Up ready seeds, though unapproved, to farmers for a premium. It is estimated that about 3.5 million unapproved seed packets were sold. These packets were sold for Rs 1,300-1,500. It is a premium of about Rs 500 per packet. About Rs 175 crore were thus pocketed by these seed companies. And for this loss incurred by farmers, the union government is solely responsible. Unfortunately, Bharatiya Kisan Union is silent on this loot.

Now join the dots to get a full picture. With Bt cotton farmers benefiting, pesticide manufacturers are annoyed over the loss in sales. Besides, local seed companies are not happy to shell out royalty payment for Bt technology. These groups take the help of 'swadeshi' lobbyists and environmentalists to oppose genetically-modified crops. Bollworms develop resistance to the Bt gene. Opponents of Bt are happy to find a Government supporting their cause. The government obliges by reducing royalty and not allowing field trials of the latest Bt seeds. Monsanto abandons its cotton business in India. Seed companies in India make huge money, selling unapproved Bt seeds. No taxes or royalties are paid on this!

Forcing Monsanto to close its cotton business has serious consequences. We have sent a wrong signal to the international business community. We have put the fate of cotton farming and thereby the cotton value chain in jeopardy. For the 2018-19 season, cotton farmers in India will not get Bt seeds that will tackle bollworms. They will be forced to use old Bt seeds or unapproved, unauthorised seeds sold at a premium.

Cotton farming is very important for our country as its value chain, namely textiles, provides employment to the highest number of people in the country. Secondly, textile exports are about $40 billion, whereas China's textile exports are about $300 billion. China imports cotton from the US and exports finished products to it. The $80 billion IT industry has transformed our economy. Imagine if we double our textile exports, what great impact it will have on our economy as money earned from cotton export is spread all across to a large section of the population.

The cotton value chain has a huge potential to provide jobs to a large number of people. Therefore, the central government must let cotton farmers have access to the latest technologies. Government should also make policy changes to make our textile products competitive in global markets. Asking Monsanto to come back and approving its latest seed technology would be the first step in right direction.

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