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IBTEX No. 125 of 2018 June 18, 2018

USD 67.98| EUR 78.81 | GBP 90.19 | JPY 0.62

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22015	46050	**86.36**
Domestic Futures Price (Ex. Gin), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22920	47943	**89.91**

International Futures Price

NY ICE USD Cents/lb (July 2018)	93.41
ZCE Cotton: Yuan/MT (Jan 2019)	17,875
ZCE Cotton: USD Cents/lb	**100.65**
Cotlook A Index – Physical	**99**

Cotton guide: In the gone by week cotton price for most active December contract traded down by 3% from the previous week's close and settled at 89.85 cents per pound. This week at start of Monday early in the Asian market the same ICE cotton contract is seen extended fall of 2.25% and trading at 87.59 cents per pound. Despite Chinese markets are closed today and no direct cues to ICE the electronic platform is still trading down. There has been a panic selling on cotton post the tariff announcement by both US and China. China is one of the largest import destinations of US cotton; with the imposition of tariff a massive sell off in the price is noticed estimating sharp drop in the US exports in the next season. Besides, the technical chart pattern had much indicated an overbought phase and price correction onto the lower side was due. We are seeing the effect of tariff on many commodities across however; cotton seems to have the highest upshot.

On the perspective of price view since price has already breached critical support of 89 cents we now see it coming down to 85.80 as immediate support and breach of which may see price extending the correction to 84/84.50 zone. Coming to India spot price maintained entire last week onto positive side near Rs. 47,000 to Rs. 47,500 per candy ex-gin, close to 88+ cents per pound amid sharp cut in the arrivals and likely domestic and export demand. However, future price of cotton in the last week ended at Rs. 22920 down by Rs. 210 per from the previous week's close. We think with the sharp reduction in the ICE price today, there will be a large cut in the MCX cotton price. We expect for the day cotton price to trade in the range of Rs. 22650 to Rs. 22950 per bale for June contract expiry and recommend selling on rise.

Currency Guide:

Indian rupee has depreciated by 0.2% to trade near 68.13 levels against the US dollar. The US dollar remains supported by Fed's forecast of two more rate hikes this year. Also weighing on rupee is weaker risk sentiment amid global trade war worries. Also weighing on rupee is disappointing economic data. India's trade deficit rose by 5.6% to $14.62 billion in May. The trade deficit stood at $13.72 billion a month ago. However, correction in crude oil price has eased worries about widening deficit. Brent crude has slipped below $73/bbl on global trade war worries and expectations of OPEC's production hike. Rupee may remain under pressure until we see significant improvement in risk sentiment. USDINR may trade in a range of 67.9- 68.3 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Why Trump tariffs on Chinese products are making corporate America jittery

Washington's action against Chinese imports Friday, and the expected response from Beijing, are hurting some U.S. industries more than others. Here's a round-up of Bloomberg's coverage of how the dispute is playing out in corporate America.

Renewables

President Donald Trump's tariffs on $50 billion in Chinese imports include duties on components for wind turbines, nuclear reactors and batteries -- but they are unlikely to cripple any of those industries.

Less than 2 percent of wind turbines installed in the U.S. since 2010 were imported from China, Stephen Munro, an analyst at Bloomberg New Energy Finance, said in an email Friday.

"It may prove to be a glancing blow as there are non-Chinese alternatives available," he said.

The list of targeted products includes components used in most lithium-ion batteries, Ravi Manghani, an analyst at GTM Research, said in an email. But China supplies the U.S. with just 3 percent of those products, he said. Plus, he added, American manufacturers have multiple alternatives from Japan and South Korea.

When it comes to nukes, there are only two reactors under construction in the U.S., and it's unlikely ground will be broken on any more large ones in the next decade, Chris Gadomski, a Bloomberg New Energy Finance analyst, said in an email.

"Any new reactors that may be built would be U.S. developed advanced reactors absent Chinese components," Gadomski said in an email.

Apparel

The clothing and footwear industry was largely spared by Trump administration tariffs on Chinese goods, but a looming trade war could still do damage to an apparel sector that's more global than ever.

The actual shirts and shoes imported from China won't get new tariffs, according to the full list of 1,102 product lines released Friday. Only some of the equipment used to make them, like textile rolling-machine parts and injection molders for shoes, were included in the final list.

A host of other Chinese machinery used by American apparel companies that had been on a preliminary tariff list -- like textile printing equipment, sewing machines and looms -- made it through unscathed.

Agriculture

Soybean futures fell to the lowest in 10 months in anticipation of retaliation from China. Prices for November delivery dropped 0.7 percent to $9.4375 a bushel on the Chicago Board of Trade after touching $9.2725, the lowest for the most active contract since August 17, 2017. This week, the oilseed tumbled 5.8 percent, poised for a record decline.

Duties against U.S. shipments may mean that China imports more from South America at a premium, Rabobank said in a report. Prices in Brazil, the world's top exporter, are rising after a national trucker strike stalled freight and a drought in Argentina cut global global supplies.

Cotton for December delivery tumbled as much as 3.7 percent to 89.52 cents per pound on ICE Futures U.S. in New York. "Fears that U.S. cotton may be involved in the China retaliatory response helped to drive the market sharply lower," David Hightower, founder of Chicago-based Hightower Report, said in a note.

Metals/Mining

Metals & mining was the worst-performing sector on the S&P 500 Index.

While iconic U.S. metal stocks Alcoa Corp. and U.S. Steel Corp. had previously benefited from the Trump administration's initial crackdown on cheap imports, the shares were trading down Friday.

It's part of a mining and metal selloff fueled by concern that Trump's announcement will end up curtailing demand in the world's biggest consumer of raw materials. Shares in Alcoa fell as much as 5.7 percent Friday, while U.S. Steel lost 6.3 percent.

A fall in other metals, from aluminum to zinc, spurred declines for Teck Resources Ltd., Freeport-McMoRan Inc. and other miners. China is the biggest consumer of industrial metals.

The tariffs mean China "won't be importing as much of the base metals," said Peter Thomas, a senior vice president at Chicago-based metals broker Zaner Group. "As these tariffs take effect, we'll see less consumption from each side until it gets settled. It started with base metals and it's pulling on gold."

Source: business-standard.com- June 16, 2018

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Trump Spares Made-in-USA Apparel as Most Machinery Tariff-Free

The clothing and footwear industry was largely spared as the Trump administration slapped tariffs on $50 billion in Chinese imports, but a looming trade war could still do damage to an apparel sector that's more global than ever.

The actual shirts and shoes imported from China won't get new tariffs, according to the full list of 1,102 product lines released Friday, and only some of the equipment used to make them, like textile rolling-machine parts and injection molders for shoes, were included in the final list.

A host of other Chinese machinery used by American apparel companies that had been on a preliminary tariff list—like textile printing equipment, sewing machines and looms—made it through unscathed.

"We applaud the decision to remove most of the equipment and machinery used in our domestic textile, apparel and footwear manufacturing that were proposed by the administration in April," said Rick Helfenbein, president of the American Apparel & Footwear Association, an industry trade group. "Levying a tariff on these items would have increased costs for domestic manufacturers across our industry, leading to higher prices and lower sales."

While much of the U.S. apparel manufacturing industry has moved abroad to chase lower labor costs, the country still remains home to a multibillion-dollar textile industry. Many fashion labels and shoemakers, including L.L. Bean Inc., Allen Edmonds and American Giant, still make products domestically. The exclusion of most apparel equipment from tariffs has allayed fears that manufacturers would push higher costs on to consumers.

But while many of the machines used for American-made apparel didn't make the final list, the industry isn't out of the woods yet.

"We remain deeply concerned," Helfenbein said, citing the threat of retaliation. "China previously identified almost $1 billion worth of American cotton exports to China as a target, which will hurt American farmers and U.S. textile manufacturers, and add costs to our supply chains."

"Ramping up tariffs doesn't help bilateral trade talks reach a successful conclusion," he added. "It's hard to see how anyone benefits from this."

President Donald Trump's administration announced the tariffs on Chinese imports early Friday and the country has vowed to retaliate. Trump pledged additional tariffs if China follows through on the retaliation threats. The first set of tariffs will total $34 billion and take effect July 6, with another $16 billion still to be reviewed, the U.S. Trade Representative said.

A previous study from the National Retail Federation and the Consumer Technology Association found that imposing tariffs of $50 billion on Chinese imports, coupled with retaliation from China, would reduce U.S. gross domestic product by nearly $3 billion and eliminate 134,000 American jobs annually.

"Tariffs are taxes on American consumers, plain and simple," Matthew Shay, chief executive officer of the NRF, said in a statement Friday. "These tariffs won't reduce or eliminate China's abusive trade practices, but they will strain the budgets of working families by raising consumer prices."

Source: ajot.com- June 16, 2018

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China inks contracts for 5L bales of cotton from India

With China's buffer stock of cotton coming down to barely a year's inventory, the country has started looking at other markets for import.

According to top industry sources, China has signed contracts for 5,00,000 bales of cotton from Indian traders for the new season. With the country also announcing an additional quota for 48 lakh bales, which it may begin procuring from July1, India stands to gain at least 10-15% of the given quantity.

Arun Sekhsaria, managing director, DD Cotton, a major international cotton exporter, pointed out that Chinese contracts have been signed with traders for around 5,00,000 bales and the shipments are expected to leave from India in November-December.

China normally has a buffer stock of nearly 120-150 lakh tonne which is expected to drastically go down to barely 25-40 lakh tonne by August this year and therefore the country has begun building up its stocks, he said.

A couple of days ago, the country had announced a quota of nearly 48 lakh bales which it intends to begin importing from July 1, 2018. China's buffer stocks began depleting from 2015.

Since Indian prices are the cheapest in international market, China will also look towards India for cotton, he said. The recent contracts have been signed for 88-92 cents per pound for the season of 2018-19. According to traders, China is likely to import at least 20 lakh bales from India.

India's new cotton season commences from October. Since China's production is expected to go down in the coming season, prices have gone up by nearly 18%. Indian cotton was sold at around 86 to 92 cents per pound on a cost and freight basis (C&F) to China, for shipments in November and December.

Exporters in India usually start selling new season cotton from end-August, after estimating the nation's crop size. But robust demand from China and higher prices have prompted Indian exporters to sign deals in advance, industry people said.

India could export more than 20 lakh bales to China in November and December as Indian cotton is nearly 10 cents a pound cheaper than supplies from other exporters such as the United States and Brazil.

China is likely to import 14 lakh tonne of cotton in the 2018-19 crop year, its agriculture ministry said, raising its forecast from a previous estimate of 12 lakh tonne due to poor local crop. Amid the robust export demand, cotton sowing in India has been delayed by nearly a fortnight in central and southern parts due to patchy rainfall, but it is expected to pick up in coming weeks.

Meanwhile, the Confederation of Indian Textile Industry (Citi) has said that there is sufficient cotton for the textile sector to smoothly run their units throughout the year The recent increase in cotton prices in the Indian market is due to rise in prices across the globe, led by China and the US weather fears impacting the 2018-19 crop size negatively. Citi estimated the production of Indian cotton crop for the ongoing cotton season 2017-18 at 373 lakh bales (of 170 kg each), up around 8.11% from the previous year. The increase is mainly due to a 13% rise in area under cotton cultivation from 108.45 lakh hectare to 122.59 lakh hectare.

"The estimated balance-sheet for 2017-18 shows production at 373 lakh bales, imports at 15 lakh bales and exports at 70 lakh bales. Further consumption is estimated to be 316 lakh bales (including non-mill consumption of 19 lakh bales) against 306 lakh bales in 2016-17," said Citi chairman Sanjay K Jain. Considering the opening stock for 2017-18 at 47.81 lakh bales as decided by the Cotton Advisory Board, Citi said the closing stock will be around 49.81 lakh bales which is quite sufficient for the textile sector to smoothly run their units throughout the year.

Source: financialexpress.com- June 16, 2018

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US Moves Forward With 25% Tariffs on Chinese Goods—And Here's What's on the List

Amid brewing trade wars, fielding tariff retaliations from major trade partners, a stern warning from the International Monetary Fund, and even talk of eliminating tariffs altogether—President Trump has moved forward with a 25 percent tariff on $50 billion worth of Chinese goods.

On Friday, the Office of the United States Trade Representative released a list of products from China that will face an additional 25 percent duty as a punitive measure for what the U.S. has considered its egregious behavior around the forced transfer of American technology and intellectual property. The move comes as part of a Section 301 investigation that the USTR said found China's acts to be "unreasonable" and "burdensome" to U.S. commerce.

"China's government is aggressively working to undermine America's high-tech industries and our economic leadership through unfair trade practices and industrial policies like 'Made in China 2025,'" U.S. Trade Rep Robert Lighthizer said Friday.

"Technology and innovation are America's greatest economic assets and President Trump rightfully recognizes that if we want our country to have a prosperous future, we must take a stand now to uphold fair trade and protect American competitiveness."

A total of 1,102 separate tariff lines for product from China will face the new tariffs. The original list released in April targeted 1,300 products, but 515 were removed and another 284 are under review for addition.

The good news, for the apparel and footwear industry, is that—at least for now—there are fewer tariffs aimed at the sector.

The first list of already-decided-on goods, largely includes machinery used for manufacturing and technology for communication.

Of the items likely to impact textiles and apparel, whether directly or indirectly, these are the products on the hit list: plows for soil preparation or cultivation; machinery for making pulp of fibrous cellulosic material; machines for extruding, drawing, texturing or cutting man-made textile materials; molds for rubber or plastics, injection or compression types, for shoe machinery; and injection molding machines for manufacturing shoes of rubber or plastics.

The second list of 284 proposed tariff lines that would target another $16 billion worth of imports from China will face further review during a public comment period and at a public hearing. The only things on that list that could impact apparel, are parts of calendaring or rolling machines for processing textiles.

USTR said Customs will begin collecting duties on the goods as of July 6.

The news has been cause for at least some celebration among those in the industry.

In a statement Friday morning, American Apparel and Footwear Association president and CEO Rick Helfenbein said, “We applaud the decision to remove most of the equipment in our domestic textile, apparel and footwear manufacturing that were proposed by the administration in April. As we have shared—including in testimony on May 16—levying a tariff on these items would have increased costs for domestic manufacturers across our industry, leading to higher prices and lower sales.”

The concern, however, is what havoc any potential new tariffs could wreak on global trade.

In a separate statement Friday, Retail Industry Leaders Association (RILA) vice president of international trade Hun Quach said, “Today’s action is a reckless escalation of the global trade war that will do little to address the underlying problems with China.”

And China won’t be sitting quietly while the U.S. acts out its own solutions to problems with China.

"China has already made clear that it will retaliate swiftly," Helfenbein said. "China previously identified almost $1 billion worth of American cotton exports to China as a target, which will hurt American farmers and U.S. textile manufacturers, and add costs to our supply chains."

What Friday's tariff announcement also does little to address are the rising tensions on the global scale coming from the United States' most major trading partners in response to President Trump's ongoing tariff threats.

"With Canada, Mexico, the EU and China all promising retaliatory measures at the same time, America's retailers, farmers, autoworkers and American employees throughout the global value chain are at risk," Quach said. "We urge the administration to reconsider these actions before an outbreak of tariffs from all directions threatens the economic growth and prosperity we currently enjoy."

Source: sourcingjournal.com- June 15, 2018

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Japan exports surprise with robust growth in May

Japan's export growth sped up in May to the fastest pace in four months and despite expectations of a slowdown.

Outbound shipments rose 8.1 per cent year on year last month, pushing higher from a pace of 7.8 per cent in April, according to Japan's finance ministry. That was well above a median forecast from economists polled by Reuters that called for deceleration to a pace of 7.5 per cent growth.

Shipments to Asia were particularly robust with growth of 9.8 per cent in May, a rise of nearly 4 percentage points from the previous reading as growth in exports to China rose 3 percentage points for a year-on-year gain of 13.9 per cent.

Exports to the US also picked up the pace with a rise of 5.8 per cent for the period.

Imports likewise outperformed with year-on-year growth of 14 per cent, more than double the 5.9 per cent pace from April and far above a median forecast of 8.2 per cent.

That faster growth from imports pushed Japan into a trade deficit for the month of ¥578.3bn ($5.2bn) compared to a revised surplus of ¥624.6bn in April.

Source: ft.com- June 18, 2018

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Digital textile printing sector to grow by 20% by 2020

The digital textile printing sector is expected to have a compound annual growth rate (CAGR) of 20 per cent by 2020, while the overall textile printing sector may grow at 2 per cent (CAGR) during the same period.

The total textile printing volume is over 30 billion square metre per year, and digital printing had a share of slightly above 3 per cent in 2017.

The need for more efficiency in textile printing is one of its key drivers. This is reinforced by shorter reaction times and higher flexibility throughout the entire supply chain of textiles.

Digital printing offers different design options and a significant reduction of waste. It is not only economical, but also more relevant in terms of being environment-friendly, said Reto Simmen, CBO, Mouvent AG, while speaking to Fibre2Fashion.

Mouvent is the digital printing competence centre of the Bobst Group and its printing technology enables digital printing on any substrate including machines for label and textile printing.

When asked about the latest innovations in digital textile printing, Simmen said, “Improving print quality and performance in terms of effective output are the key developments in digital textile printing. This is precisely where the Mouvent TX801 offers a clear advantage in the market.”

He also believes that Industry 4.0 will offer a wide range of opportunities to the digital textile printing industry.

“As a business born in the digital world and in the age of Industry 4.0, we will not only explore these opportunities, but ensure that it is an integral part of our product and business development,” added Simmen.

Mouvent plans to continue developing a vast product portfolio for the different digital printing markets and roll out its products worldwide.

Source: fibre2fashion.com- June 18, 2018

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NATIONAL NEWS

Exports jump 20% in May, trade deficit widens

Merchandise exports in May jumped 20.2%, the fastest pace in six months, as a rise in oil prices helped boost outbound shipment value, although engineering goods, chemicals and pharmaceutical products registered decent expansion.

The trade deficit widened to a four-month high of $14.62 billion as a higher net oil import bill negated gains from a contraction in gold and precious stone imports. The labour-intensive garment segments continued slide, with exports declining 16.6% in May. Leather exports inched up only 2%.

But what could comfort policymakers is that, even discounting petroleum and gems and jewellery, exports rose a decent 13.9%. For the first two months of this fiscal, non-petroleum and non-gems and jewellery exports grew 12.8% from a year ago, slightly higher than the 12.6% rise in overall goods exports during this period.

With the US Federal Reserve having hiked the interest rate by 25 basis points earlier this week, the potential weakening of the rupee against the dollar might brighten export prospects.

The rupee on Friday tumbled below the 68-mark to end at a fresh three-week low against the US currency. But analysts say the key to any improvement in export competitiveness will be how much the currencies of its peers depreciate against the dollar in such a scenario.

More importantly, with the US going ahead with its additional tariff plans against Chinese goods worth $50 billion, in a fresh escalation of a potential global trade war, India's exports, like that of many others, could come under pressure. The World Trade Organisation (WTO) has forecast trade growth at 4.4% for 2018, down from 4.7% in 2017.

Friday's official data showed merchandise exports rose to $28.86 billion and imports advanced to $43.48 billion in May. Although garments exports dropped, the textile segments witnessed double-digit growth.

The major drivers of exports were engineering goods (14.8%), chemicals (34.2%) and drugs and pharmaceuticals (25.7%). Petroleum exports grew a massive 104.5%, thanks to the price rise. Meat, dairy and poultry product exports jumped 14.6%, suggesting that the impact of a crackdown against illegal abattoirs in Uttar Pradesh has diminished.

Still, the high trade deficit in recent months due to an improvement in imports may continue to pressure the current account deficit (CAD). Aditi Nayar, principal economist with Icra, said: “Based on the available data for April-May 2018, the CAD may widen to $15-16 billion or around 2.4% of GDP in the ongoing quarter, from $14 billion in Q1 FY18, with higher commodity prices counteracting the likely contraction in gold imports.”

Services exports growth slowed sequentially to 4.3% to $17.56 billion in April from a rise of 7.2% in the previous month. Services imports rose 6.2% to $10.92 billion in April from a year earlier, against a 1.4% rise in the previous month.

Federation of Indian Export Organisations president Ganesh Kumar Gupta said that the exports data have shown a robust growth but MSME units are either showing very modest growth or are into negative territory.

Source: financialexpress.com- June 16, 2018

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Cotton production may be higher: CAB

The Cotton Advisory Board (CAB) estimates cotton production for this season (October 2017 to September 2018) to be 370 lakh bales.

The board had estimated cotton production to be 345 lakh bales and exports at 59 lakh bales for the season when it had met in December.

Bollworm attack

Production estimates were lower in the beginning of the season as the board expected damage to the crop from bollworm attack. However, state governments took steps to contain the damage, said J. Thulasidharan, president, Indian Cotton Federation.

He said there was not much scope for increase in cotton exports.

He also described as conservative CAB's closing stock estimate of 43 lakh bales. This could rise when the season ends, observed Mr. Thulasidharan.

"Cotton position is very comfortable. However, domestic cotton prices are up, reflecting the international trend. There is no reason for the textile mills to panic," he added

Source: thehindu.com- June 17, 2018

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Bt cotton to cover even larger area this year

The desi variety of cotton is also registering yields better than the national average

After a surge in the area under Bt cotton last year, cotton cultivation under this high-yielding and genetically-modified seed is set to go up further this year.

Acreage under Bt cotton declined significantly from over 95 per cent of the total area under cotton in 2013-14 to below 90 per cent in 2016-17. This happened due to stagnation in yield in the latest Bollgard variety and pest attacks on Bt cotton seeds.

Increase in the overall area, however, benefited Bt cotton more than the conventional, hybrid and desi varieties.

Of the total cotton area at 12.44 million hectares for 2017-18, the acreage under Bt was reportedly 11.07 million hectares, which works out to 89 per cent.

When compared with the total area of cotton cultivation at 10.82 million hectares, the coverage under Bt cotton stood at 81 per cent (8.77 million hectares) for 2016-17. This means the acreage under Bt cotton went up in 2017-18.

"Farmers adopt Bt cotton for high yield. We expect the increase in cotton sowing under Bt to continue. In states like Rajasthan, however, farmers have chosen the desi variety, which fetched yields that are equally high under the guidance of many cotton bodies," said Kavita Gupta, textiles commissioner, under the ministry of textiles.

Gupta had announced the cotton output estimates for 2017-18 after the second Cotton Advisory Board (CAB) meeting on Saturday.

The CAB lowered its cotton output estimates of 37.7 million bales to 37 million bales for 2017-18 on Saturday. This was largely attributed to pink bollworm attack on cotton crops in Maharashtra, Telangana and Andhra Pradesh.

The estimated cotton output of 37 million for 2017-18, however, is higher by around 7 per cent from the previous year's output of 34.5 million bales.

Meanwhile, the textiles commissioner asked the ministry to collaborate with the ministry of agriculture to help farmers follow best practices in cotton farming that are adopted globally.

Some of the proposals include intercropping of soybean with cotton, branding of cotton, production of contamination-free cotton and use of water efficient techniques for vertical growth of plants, among others.

"Soybean plant can add nutrients to the cotton crop which may boost production. Hence, we have recommended to the ministry of textiles to engage the ministry of agriculture for better cotton production in the country," said Gupta.

Against the national average of 500 kg/hectare, some farmers in Punjab have yielded 2,000 kg/hectare. This is double the world average of 750 kg/hectare but similar to the world's best production of 2,200 kg/hectare in Australia.

The desi variety of cotton is also registering yields better than the national average.

Gupta was also confident that the Maharashtra government's advisory for farmers to wait for rain before sowing this kharif season is unlikely to lower cotton output this year. This is because farmers have adopted global best practices for a higher yield.

Source: business-standard.com- June 17, 2018

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Tiruppur units revise knitwear price as cotton rate increased to many folds

The textile units that have got Tiruppur the name of 'Dollar city of Tamil Nadu' are operating with a capacity of 80 lakh spindles every year. But the recent hike in cotton price has put producers in distress.

The unprecedented increase in cotton price has made knitwear production industries in Tiruppur to raise the price of their products to 10% from June 15. Earlier, the exporters' association from Tiruppur declared the rate of export had dipped to Rs 24,000 crore last year, which was about Rs 26,000 crore in the previous year allegedly because of demonetisation and the Goods and Service Tax (GST).

Due to the export of textile-based products like knitwear, apparels and other fabric items, Tiruppur got the tag of 'Dollar city of Tamil Nadu'. The textile units are operating with a capacity of 80 lakh spindles every year. But the recent hike in cotton price has put producers in distress.

V Ponnusamy, general secretary, South Indian knitwear manufacturers association, said, "As cotton price reached Rs 48,000 per candy (355kg) on Monday, we decided to increase our product's price to 10%. Unless the Cotton Corporation tried to stock the cotton for domestic needs, the price would further increase. Already the mill owners had increased the price of yarn in terms of Rs 15 per kg."

He said the annual requirement of cotton for Tiruppur and its adjacent districts is one and half crore bale (one bale is equal to 170kg).

Prabhu Damodaran, coordinator, Indian Texpreneurs Federation based in Coimbatore, said, “Last November, we paid Rs 38,500 per cotton candy (355kg). We purchased the same quantity for Rs 46,500 last week. As there is no adequate quantity of cotton available in Tamil Nadu, we are heading to Karnataka, Telangana, Maharashtra and Gujarat to purchase it. So, we have to spend Rs 1,500 per cotton candy for transportation. If we are achieving a turnover of Rs 100 crore, it means we are spending around 65% to 70% for raw materials.”

He further pointed out that the reason for the sudden rise is highly connected with the international market. “As China avoided purchasing cotton outside their nation, the cotton price in New York (in United States) has increased, which is reflecting in our market,” Prabhu added.

Source: hindustantimes.com- June 15, 2018

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Ports capacity to be augmented! Big Rs 20,000 crore projects underway

As many as 39 projects entailing investment of Rs 20,535 crore are under implementation to augment the capacity of 12 major ports, an official said. These projects are part of 112 port capacity expansion projects, involving total investment of Rs 69,636 crore, that have been planned to increase port capacity to 3,500 million tonne per annum (mtpa) to cater to the projected traffic of 2,500 mtpa by 2025.

“Out of these 112 port master plan projects, 39 projects at a cost Rs 20,535 crore are under implementation,” a Shipping Ministry official said.

As many as 15 projects worth Rs 6,920 crore have already been completed, while 11 projects entailing an investment of Rs 5,485 crore are under tender process, the official added.

These 112 port capacity expansion projects had been identified for implementation over next 20 years and are expected to add 780 mtpa capacity at major ports. India has 12 major ports, namely Kandla, Mumbai, JNPT, Mormugao, New Mangalore, Cochin, Chennai, Ennore, V O

Chidambaranar, Visakhapatnam, Paradip and Kolkata (including Haldia), which handle approximately 61 per cent of the country's total cargo traffic.

Buoyed by pick up in demand, cargo traffic at these ports rose by 4.77 per cent to 679.35 million tonnes (MT) during 2017-18 compared to 648.39 MT during 2016-17. The 12 major ports have capacity of about 1,400 million tonnes at present.

In addition to the port master plans, the government has also announced setting up six new ports at Vadhavan (Maharashtra), Enayam (Tamil Nadu), Tajpur (West Bengal), Paradip Outer Harbour (Odisha), Sirkazhi (Tamil Nadu) and Belekeri (Karnataka).

"Techno- Economic Feasibility Reports (TEFR) have been prepared for five locations and is under preparation for Tajpur. DPR (detailed project report) is under preparation for Port of Vadhavan, Enayam and Paradip Outer Harbour Project," the official said. Earlier the Cabinet has given in-principle approval for development of a transshipment port at Enayam.

Source: financialexpress.com- June 17, 2018

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India has trade deficit with 10 RCEP members

India had trade deficit with as many as 10 member countries, including China, South Korea and Australia, of the RCEP grouping of 16 nations which have been negotiating a mega trade pact since November 2012.

The Regional Comprehensive Economic Partnership (RCEP) block comprises 10 Asean group members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners – India, China, Japan, South Korea, Australia and New Zealand.

According to the commerce ministry data, India's trade deficit — the difference between imports and exports — with seven countries (Indonesia, Thailand, China, Japan, South Korea, Australia and New Zealand) of RCEP has in fact increased in 2017-18 as compared to the previous fiscal.

The trade gap with China, Korea, Indonesia and Australia has increased to USD 63.12 billion; USD 11.96 billion; USD 12.47 billion and USD 10.16 billion in 2017-18. It was USD 51.11 billion, USD 8.34 billion, USD 9.94 billion and USD 8.19 billion respectively in the previous financial year, 2016-17. The case is same with regard to Japan, Thailand and New Zealand.

However, the trade gap has dipped with the remaining three nations – Lao, Brunei, Malaysia — in 2017-18. Experts have given a mixed reaction on the impact of increasing this gap on India's position in negotiating this mega free trade agreement.

An industry expert stated that as this is a comprehensive trade deal, India would get greater market access in other countries not only in terms of goods, but in services and investments also.

"Trade deficit is only for goods. But this is a comprehensive pact. India would get market access in services and investment opportunities. RCEP members including Japan and South Korea are big investors in India," the expert said. On the other hand, international trade experts stated that India needs to be cautious while negotiating the pact as the trade deficit is increasing with several of the RCEP member nations, which would impact domestic manufacturers. "Free trade agreements are not about only giving market access, but also getting that access in other countries.

Our exports to countries like Singapore, with which India has trade surplus, is not increasing with healthy pace," said Biswajit Dhar, the professor of economics at Jawaharlal Nehru University. He said that as the strength of the domestic manufacturing is weak, India would not be able to take advantage of such free trade agreements.

On trade deficit, Commerce Secretary Rita Teaotia recently stated that "when we talk about trade deficits, it's not necessarily a negative (thing for a country)". India does not have a free trade agreement with two of its biggest trading partners – the US and China – but the country has the highest positive balance of trade with the US, while it has the highest deficit with China.

“We import those products which we do not produce ourselves and which we do not have it in enough quantities like crude oil, certain intermediates for electronics and edible oil...You cannot have an entire global value chain located in a single country, no country has achieved this,” she had said.

She had added that India will endeavour to have a “balanced” RECP trade agreement as it would cover 40 per cent of the global GDP and over 42 per cent of the world’s population.

The pact, negotiations for which started in the Cambodian capital Phnom Penh in November 2012, aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

Pressure is also mounting on India for early conclusion of the proposed trade pact. Member countries are looking to conclude the talks by end of this year but a lot of issues are yet to be finalised including the number of products over which duties will be eliminated. Domestic steel and other metal industries want these sectors to be kept out of the deal.

Under services, India wants greater market access for its professionals in the proposed agreement. India already has a free trade pact with Association of South East Asian Nations (ASEAN), Japan and South Korea. It is also negotiating a similar agreement with Australia and New Zealand but has no such plans for China.

Source: financialexpress.com- June 17, 2018

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Commerce Minister reviews progress of export promotion strategy

He said a conference of Heads of Indian missions has been scheduled in June end in which trade promotion measures will be discussed

The Department of Commerce will soon open 10 offices in Indian missions abroad for accelerating export promotion activities.

This was informed by Commerce & Industry Minister, Suresh Prabhu, during review of the sectoral export promotion plans prepared by Ministries and Departments in New Delhi today.

He said a conference of Heads of Indian missions has been scheduled in June end in which trade promotion measures will be discussed.

The Minister stressed on branding of Indian products and export credit as important focus areas for export promotion.

He also said that efforts should be made for getting priority sector lending status for export credit and directed the logistics division of the Ministry to work upon measures like bulk cargo transportation to reduce freight costs.

The Minister suggested that each Ministry and Department should set targets for increasing exports of their product and product groups in 2018-2019.

Commerce Minister emphasized that exports are a national priority and an integrated approach is required to promote exports as a joint mission.

He directed that this forum should be institutionalized and inter-ministerial meetings be held every quarter to resolve difficulties and assess the progress across sectors.

Commerce Secretary, Ms. Rita Teaotia said that although exports have grown in the past year, a quantum jump is required. She also emphasized that branding is a major issue cutting across all sectors and Brand Equity Foundation is formulating a proposal to support line Ministries for branding export products.

Director General Foreign Trade, Alok Chaturvedi informed the participants that Department of Commerce is preparing a ‘100 Billion Additional Export Strategy’ which will be released shortly.

Merchandise Exports in 2017-18 grew by 9.8% YoY while Services Exports were up by 17.8% YoY. Total Exports were up by 12.9% in 2017-18 as compared to 2016-17.

The Minister of State for Commerce & Industry, C R Chaudhary was also present at the meeting.

The meeting was attended by Secretaries to Government of India from DIPP, MSME, Textiles, Chemicals and Petrochemicals besides senior officers from other administrative ministries and departments including Agriculture, Electronics and IT, Department of Heavy Industry and Defence Production.

Source: clipper28.com- June 15, 2018

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Tirupur garment exporters demand ban on cotton, yarn exports

The Tirupur Exporters and Manufacturers Association (Teama) has called upon the Central government to ban the export of cotton and yarn as uncontrolled exports caused severe increases in the prices of cotton and yarn in the domestic market.

In a representation to Prime Minister, Mr. Narendra Modi, Teama president M P Muthu Rathinam said, "garment manufacturing industries in Tirupur are facing many problems in both domestic as well as export business. Yarn price hike is a major problem now. Some knitwear manufacturers are under pressure to close their units without bearing further losses."

According to him, export of cotton and yarn in huge quantities creates shortage for these raw materials for the domestic textile industry.

He said, "raw material exports should be permitted after fulfilling requirements for the domestic textile industry in the country. It will ensure adequate raw materials for local industries and control cotton and yarn prices."

Source: deccanchronicle.com- June 15, 2018

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Hike of dye prices may hit global fashion brands

Sourcing by top global fashion brands, including Zara, Gap, H&M, Old Navy and Marks & Spencer may get hit as the local dyeing industry is facing shortage of dyes due to China importing raw materials, which are used to make dyes, from India.

Proprietors of dyeing factories in the Delhi-NCR region are considering to scale down operations, especially during a time when orders are pouring in from international markets for the Spring' 19 season.

"The price of dyes has increased by nearly 30 per cent over the last 10-15 days and it is not sustainable to carry on operations at the same rates," said Vijay Jain, MD of SPS Processors in Faridabad.

India is a major hub for several global brands. For instance, H&M and Ikea have been sourcing from the country for over a few decades. Textiles constitute around 70 per cent of Ikea's exports from India. Similarly, British retailer Marks & Spencer counts the country among its top five global sourcing hubs.

"The price of yarn has also been increasing over the last few weeks," said Amit Mudris, head of sourcing & merchandising at an Italian fashion brand. "This is the period, when orders are high due to the approaching season."

The local dyeing industry, which includes around 150 factories in the Delhi-NCR region, has recently been rocked by the ban on pet coke and furnace oil, important ingredients in the dyeing process. A few plants, unable to sustain operations, have shut shop.

Source: timesofindia.com- June 16, 2018

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Creating more jobs in India

A cluster approach to industrialisation catering to domestic demand is a sure way to create more jobs

Which industries to pick is a challenge for industrial policy designers. The inability to 'pick winners' with certainty in a dynamically changing world is the principal argument of liberal economists who oppose the very idea of governments developing industrial policies.

New technologies can change the shapes of manufacturing processes and disrupt historical sources of competitive advantage. Customer preferences also change. Trade barriers can rise. However, when governments everywhere are being pressed to ensure jobs for their own citizens, they have to defend some sectors, as US President Donald Trump is, and promote sectors that will create jobs in the future, as Chinese President Xi Jinping is.

For the Indian government, more job creation to prevent a 'demographic disaster', is an existential requirement. Picking the right, 'labour intensive' employment sectors to promote has become imperative for the Indian government.

Alarms are being rung warning that rapid development of digital technologies and automation will eliminate the competitive advantages of low labour cost countries. However, industrial change will not be linear: it will be dynamic. Labour intensive industries will not disappear; in fact, they may thrive.

Take the case of the shoe industry. Millions of jobs were created in China to supply shoes to Nike, Adidas, and other brands in rich countries. Reports of Adidas's automated factories with 3-D printers in Germany, and reports that shoe manufacturing is reviving in the US to cater to the US market, are causing concern for the future of shoe manufacturing in India and other developing countries.

However, a recent report in the Economist shows how the shoe industry is being reshaped. The advantage of 3-D printing is that products can be custom-made, and locally too. It is not cheap though. ECCO, the Danish company, is introducing 3-D technology in its stores to produce customised insoles for shoes. Customers will have to pay an additional $140.

Demand for custom-made products — shoes, clothes, carpets, etc — increases with higher incomes.

Lobb, the London shoe store, sells custom-made shoes for $5,500. An Italian company, Design Italian Shoes, which takes customers' measurements digitally and then farms out the manufacturing to a cluster of small shoe manufacturers in Italy's 'shoe valley' in Le Marche, is able to deliver the custom-made shoes at one-tenth Lobb's price.

New technologies are enabling the needs of rich countries' consumers to be met by production within their own countries. Who will cater to the increasing demand for shoes in India as its economy grows and incomes rise? What sort of shoes will Indians, with lower income levels, want? And, what manufacturing technologies, and what shapes of enterprises (large-scale factories, or clusters of small enterprises) will be best equipped to meet this growing demand?

When the future shapes of industries are becoming harder to predict, and when boundaries between manufacturing and service sectors have become blurred, too fine a selection cannot be made of which industrial (or service) sectors should be promoted. Sectoral policies made by extrapolations from the present into the future to determine what investments, and what numbers of people and with what skills, industries will need, will not work. Nevertheless, governments are compelled to focus on economic policies to support sectors of economic activity that are likely to generate the most employment in their countries.

Domestic drive

In a developing country with over a billion people, increasing domestic demand will provide large markets. However, it is a chicken and egg situation. If jobs and incomes do not increase faster, demand cannot increase. Therefore, engaging more Indians to produce for Indians will be the engine for growth of the Indian economy.

Policy should focus on those sectors in which there will be increasing domestic demand. It is worth noting that demand from rural India has often boosted the revenues of companies that have focused on it even when overall economic growth has slowed down. While export demand can be a turbocharger for India's economic growth, the main engine of growth must be domestic demand.

Production systems, and business models, for catering to local demands must take advantage of new technologies. More importantly, they must also take advantage of the availability of large numbers of people to employ.

The down-side of not employing more people would be slower economic growth and could even be a demographic disaster. The up-side is that the large pool of people available can be a source of sustainable competitive advantage for enterprises producing in India, for both domestic demand and exports, provided their production systems are designed innovatively to take advantage of it.

Jobs cannot be planted into the economy in neatly planned industrial sectors. Jobs emerge from the growth of competitive ecosystems. Studies of successful industrial development, in Italy, Germany, Taiwan, China, the US, and other countries too, reveal that clusters of enterprises, many small, who support each other, and compete with each other too, create healthy ecosystems. Cluster management associations can provide a formal interface for small, and informal, enterprises with the formal economy.

Labour intensive clusters

A model of industrial growth based on large, capital intensive factories is no longer viable. A strategy of laying out large clusters of enterprises along the coast (and some inland) to cater to export demands, which propelled China's growth, can only be a supplemental strategy for India's growth. Technologies are changing. Trade barriers are rising.

The main engine of growth for India must be clusters of enterprises, spread around the country, supplying to, as well as stimulating the growing domestic demand by creating more jobs.

Labour-intensive clusters can compete in export markets too by supplying the demand for customised products with new technologies, as the Italian shoe clusters are, and some Indian clusters too, such as carpet manufacturers in Rajasthan.

In summary, India's industrial policy must focus on wide-spread job creation. It should focus on sectors in which there will be growing domestic demand. And it should support the growth of well managed clusters of enterprises.

For their part, entrepreneurs should develop innovative production methods and business models to take advantage of a growing market in India, as well as its large pool of potential workers.

Source: thehindubusinessline.com- June 18, 2018

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Raymond: Spinning a modern tale?

The mention of Raymond automatically elicits recollection of The Complete Man imagery. While the garment major has carefully crafted an aspirational image over decades, it isn't an image the customer of today necessarily wants to look up to or can afford to.

And the brand has realised that. The difference between the brand's communications from the good ol' days to what was rolled out across 2017 up till now has been considerable. For its All Black collection, the campaign features storytelling from a visually impaired protagonist. For its Khadi collection, the brand found a communication balance between leveraging India's Khadi heritage and giving the fabric a contemporary twist.

The changing Raymond man

Raymond, for decades, has been an occasion-led brand with purchases fuelled by milestones such as festivals, graduations, weddings, etc in a consumer's life.

The pricing reflects this, which restricts purchase opportunities. Shantiswarup Panda, CMO, Raymond emphasises that the brand is a quality investment at a premium price. "I don't think there would be a lot of people who would have a wardrobe full of Raymond," he says.

"But if Raymond's crisp shirts form a 20-30% share of the wardrobe, sharing space with shirts from other brands for not-so-important days like Thursdays and Fridays, it is fine. Even 20-30% is a good share for us because India is a huge market." As disposable incomes rise, consumers themselves develop occasions for which they wish to make purchases.

Raymond is banking on this consumer tendency supplemented by an experimental consumer profile. To leverage this, Raymond is testing its custom tailoring service wherein its trained personnel visits the customer's home post an online appointment, takes their measurement, helps them pick out fabric from swatches followed by the eventual delivery of the final product. This pilot, having rolled out in Pune in October, 2017, is currently also being run in Mumbai. Typically, the target audience for premium custom tailoring falls between the 35-40 year age bracket. However, there are also takers that are far younger, say 24 or 25 year-olds.

Will Raymond be able to steer clear of being a mass brand while at the same time trying to capture a wider, hopefully younger, base of customers? Harish Bijoor, founder, Harish Bijoor Consults shares, "Raymond keeps its distance from the rest of the masses, as it wants to, which translates that it is not for everyone; it is for a select audience. At the same time, it needs to battle other retail players in big cities and tier II towns, local brands and desi brands."

Wearing the right strategy?

Raymond's communication strategy, thus, is to craft a contemporary image for itself. To that end, its outlay in ATL alone for this year has been 40% for TV, 30% for digital, and 15% each for print/magazine and OOH. So if The Complete Man persona becomes too distant a personality to aspire to, how relevant is it for the brand's future journey? Navonil Chatterjee, CSO, Rediffusion Y&R says, "When the Raymond campaign was originally conceived, men were known for the 'arrogance of singularity' while women were connected to life by many threads. As long as the collection ads are done in a distinctive Raymond way, the equity of the brand shouldn't get adversely affected."

After years of stoking the sizzle or the emotional component, maybe it is time to focus on the sausage or the product/rational part of the brand, he says. Raymond is actively looking at online marketplaces in addition to its own online presence. Heavy discounting, however, is out of question for the brand. Panda elaborates, “The biggest proposition online is discount, followed by range and free returns. While I understand that the latter two are non-negotiable, we don’t agree with the kind of discounts that brands indulge in and give online.” For Raymond, the brand being present online gives people a choice and makes it accessible beyond the number of towns that it is present in. “But the online medium is giving us steady growth and a very sizeable business actually,” he shares.

While the equity of being the go-to brand for special occasions that require suiting and shirting will remain largely untouched, keeping in mind the changing consumer sensibility, Raymond is hoping for jackets to be a bridge between formal and casual work wear attire. The brand is also experimenting with various colours, cuts, styles and fabrics to make its products more relevant in a consumer’s daily life.

Source: financialexpress.com- June 18, 2018

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