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IBTEX No. 189 of 2017 September 18, 2017

USD 64.02 | EUR 76.43 | GBP 86.98 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19314	40400	**80.50**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
18520	38739	**77.19**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	69.20
ZCE Cotton: Yuan/MT (Sept 2017)	15,570
ZCE Cotton: USD Cents/lb	**91.68**
Cotlook A Index – Physical	**79.10**

Cotton guide: In the week gone by Cotton price fell over 10% from the recent high of 75 cents/lb to end the week at 69.20 cents. The December contract movement was quite erratic while subsequent contracts also moved mostly in the similar direction.

Market has accepted the fact that higher US production over 21+million bales, revised higher global stocks outside China and India's large crop has pulled cotton price lower. Although many don't accept the fact that data to be true because the August and September USDA WASDE report seems to have not covered many hurricane affected regions in the US which leaves a mark that October figure could bring in more accuracy to the data. Nonetheless anything between 19 to 20.50 million bales of production could be estimated looking at the broad higher acreage number.

Other factors are continuing to rule the market. In last four days cotton has been swinging in a very tight range of less than 2 points of 68 to 70 cents. The sharp drop in price is attracting good demand near 68 to 69 cents, lot of on call sales fixation by spinners are taking place in the ICE December contract near these levels. We are seeing market taking strong support near the suggested level

We believe market is going to be more challenging in coming weeks. Another hurricane Maria is in the same path of Irma and the actual movement and categorical growth is to be tracked critically which could damage more crops in the US. Also we expect the October report may bring in more clarity to the market and until then volatility in price cannot be ruled out.

From the domestic front, spot price continued to trade steady while October future ended the week lower at Rs. 18610 down by Rs. 640 from the previous week's close.

Market is expected to remain sideways and the trading range for the day would be Rs. 18400 to Rs. 18770 per bale.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Crisis on Korean Peninsula May Affect Global Trades
2	Ban on North Korean clothing exports will hurt women the most, experts say
3	Pakistan: Buoyed by its 'success', govt may give export package a makeover
4	Peru: US accounts for 70% of Peruvian garment exports in H1
5	Pakistan: CPEC opens momentum of opportunities for industrial cooperation: Pervaiz
6	Turkish apparel firms claim 10% of German sales volume
7	Biological molecules added to cotton to boost durability
8	Bangladesh: H&M makes breakthrough in upcycling garments
9	Pakistan: Local cotton prices experience volatility as US market eases
10	Sri Lanka: GSP+ to raise Lanka's apparel export revenue by $400 mn
11	Bangladesh: 46 more Alliance factories complete CAP in August
	NATIONAL NEWS
1	SIMA forecasts recovery of yarn sector; lower cotton prices
2	CCI to host seminar in India on September 23
3	Centre demands state proposal on silk sector
4	US storms lift Indian cotton
5	Govt should take stand on cotton contamination: Expert Cotton industry has a better future
6	Sustainable producers are bringing respect back to the cotton value chain, from crop to garment
7	Need to restore the lost glory of cotton in India: Textile commissioner Gupta
8	Middle income trap
9	E-commerce festive sales to cross Rs 10,000 crore
10	After 12 straight months of growth, exports may face real test Sept onwards

INTERNATIONAL NEWS

Crisis on Korean Peninsula May Affect Global Trades

The crisis on the Korean Peninsula, one of which North Korea's missile launches, has sparked a wave of protests by countries concerned that it will affect global trade if it is not immediately sought for a peaceful diplomatic solution.

"There should be intelligent diplomacy to resolve the crisis by involving some of the most influential countries so that they are not at war with each other," said former NATO secretary general Jaap de Hoop Scheffer in Nusa Dua, Bali, Saturday (9/16/2017).

This was said when he became the key speaker at the 2017 International Textile Manufacturers Federation (ITMF) Annual Conference which was attended by more than 200 textile and textile product companies in more than 20 countries.

Scheffer said a number of countries must be involved to resolve the crisis in addition to North Korea, as well as South Korea, China, Japan, and the United States. They must negotiate to find a solution.

In solving the weapons crisis the most effective and peaceful way is simply by diplomacy and eliminating misunderstandings between conflicting parties.

"There has never been a dispute settled by way of war or using weapons. Diplomacy process is the best way," he said.

If the crisis on the Korean peninsula is allowed to drag on then in the long run it is not unlikely that it will have a negative impact on global trade, including textiles and textile products.

Another crisis that also needs to be anticipated in order not to become a prolonged dispute, Scheffer said, is a matter of state boundary disputes in the South China Sea (North Natuna Sea).

"The area is very strategic and a lot of international shipping through the sea whose value could reach trillions of dollars each year," he said.

He hopes a number of disputing countries such as China and Vietnam as well as the Philippines can resolve the dispute immediately so as not to disrupt the flow of merchant shipping that passes there.

Scheffer said the peaceful situation is the most anticipated condition for entrepreneurs because the favorable situation is capable of expediting trade flows that ultimately spurs economic growth of each country.

Source: en.netralnews.com - Sep 17, 2017

HOME

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Ban on North Korean clothing exports will hurt women the most, experts say

There are few areas in the North Korean economy, outside its nuclear weapons program, that could be called booming. But the garment industry has been one of them.

Over the past few years, North Korea has been sending increasing numbers of seamstresses to China to sew clothes for international buyers, and it also has been encouraging the expansion of the garment industry at home.

There are factories around the country producing suits, dresses and children's clothes — almost all of which are labeled "Made in China."

That should all theoretically come to an end now, after the U.N. Security Council unanimously decided last week to prohibit North Korea from exporting labor and textiles, adding to existing sanctions on coal, iron ore and seafood.

"Today's resolution bans all textile exports," Nikki Haley, the United States' ambassador to the United Nations, said Monday when the resolution passed. "That's an almost $800 million hit to its revenue."

North Korea exported about $725 million worth of clothing last year, according to South Korea's trade-promotion agency, making it a significant source of income for the cash-strapped country.

Adding textiles to the sanctions list means that more than 90 percent of North Korea's publicly reported exports last year are now banned, Haley said. Coal, iron ore and seafood exports were prohibited in a previous resolution.

While diplomats have been describing the ban as being on "textiles," economists say it should more accurately be called a "garment" ban. North Korea does not export bolts of fabric but instead produces labor-intensive articles of clothing.

"When you make simple clothes like T-shirts, the machinery is important. The labor is not so important. So it makes no sense to do things like this in North Korea," said Paul Tjia, a Dutch consultant who helps businesses operate in North Korea, especially in the garment industry.

"But for garments that require a lot of manual work, like bras or winter sports clothes, it makes a lot of sense to make those in North Korea, because the price-to-quality ratio is very attractive," said Tjia, who most recently went to Pyongyang in May.

Tjia helps mainly European companies outsource sewing to North Korea and espouses the selling points of North Korean labor. At one conference in Seoul, he showed photos of intricately made dresses that he said North Korean workers had made for a major European fashion label — although he declined to say which one.

He also declined to say who his current clients are, for fear of attracting unwanted attention to the provenance of their clothes. The Australian surfing label Rip Curl found itself in hot water last year when it was revealed that some of its clothes had been made not in China, as the company thought, but in North Korea.

With almost all of the North Korean-made clothes leaving through China, the effectiveness of this crackdown will depend on Beijing's willingness to enforce it.

"If a container coming from North Korea says it contains sweet potatoes, is the Chinese customs department going to crack it open to check that it does not contain underpants?" asked Andray Abrahamian, a visiting scholar at the Center for Korean Studies at the University of California at Berkeley.

Although China supported the new U.N. resolution, its implementation of previous sanctions has been spotty at best, analysts say.

But if Beijing is serious about stopping North Korea's exports of apparel and workers to sew garments in Chinese factories, it would have a significant impact on the North's economy, said Marcus Noland of the Peterson Institute for International Economics.

"The reason that this is important is not only because apparel exports are a significant number, but because it's the one non-resource area that's really growing," Noland said, differentiating apparel exports from mineral exports such as coal and iron ore. "So it's not just the static number that's important. It's the fact that this sector was emerging as an area of comparative advantage."

There is another thing that makes the crackdown on clothing exports different from previous actions against North Korea.

Previously, governments had stressed that the sanctions were targeting the regime and were aimed at cutting off its access to the money or equipment it needed for its nuclear weapons program.

This effort to shut down North Korea's garment industry is one that will have wide-reaching ramifications across North Korean society.

"Assuming that the ban is enforced, it will have a huge impact," said Abrahamian, who visited North Korean garment factories several times while working for Choson Exchange, an NGO focused on business training for North Koreans.

"Tens of thousands, possibly even hundreds of thousands, of North Koreans are employed in this industry, and 98 percent of them are women. That's the demographic that's clearly going to suffer as a result of this," he said.

Source: washingtonpost.com- Sep 16, 2017

HOME

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Pakistan: Buoyed by its 'success', govt may give export package a makeover

Pervaiz Malik, the recently-appointed commerce minister, said that high input cost has hindered Pakistan in getting a fair market share in foreign markets, but claimed that the Rs180-billion package announced by the government at the start of this year has helped the country's exports.

Pakistan exports increased 11.8% year-on-year during July-August, a welcome sign for an economy struggling to contain falling foreign exchange reserves and ever-increasing domestic as well as foreign debt.

Exports have been declining for the past four years, but recent figures suggest that a change may be in the offing. While the increase may not be enough to reduce trade deficit, officials seem pleased that the trend of falling exports has reversed.

Thrilled by what the government thinks is a result of the export package, Malik said that the Economic Coordination Committee in its last meeting has reviewed its impact, and is now considering expanding its scope to include other sectors as well.

While addressing the inaugural session of the 18th Textile Asia 2017 International Trade Fair, the minister said that several concrete steps were being taken to increase the volume of exports.

Malik said that the prime minister has directed to constitute a committee to undertake a detailed analysis of the impact of the export package, proposing some changes in scope and coverage.

Meanwhile, addressing the ceremony, Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Central Chairman Ijaz Khokhar said that the initiative to introduce the textile machinery fair has been taken with the collaboration of E-commerce Gateway Pakistan to increase productivity and competitiveness.

Khokhar said that the China-Pakistan Economic Corridor (CPEC) has opened up a momentum of opportunities for industrial cooperation between the two countries. Under CPEC projects, the government is keen to link China's Small Manufacturing Enterprises with Pakistani SMEs.

“China needs markets for its products and searches for raw material while Pakistan needs access to technology to boost its industrialisation,” he said He asked the government to consider value-added textile as a key priority area, making all possible efforts to set the right policies and incentives.

Khokhar further said that the apparel segment is the highest value-added link in the entire textile value chain. Though the global market is highly competitive, Pakistan’s apparel industry has proved its strength by pushing exports by 5.55% in 2016-17.

PRGMEA Vice Chairman Jawwad Chaudhry said that the garments industry is the least energy- and capital-intensive sector and is well suited for Pakistan to generate economic growth and employment. He said that textile is the only sector which contributed $12.5 billion (60%) of exports in fiscal year 2016-17and $12. 45 billion (59%) in 2015-16.

E-commerce Gateway Pakistan Chief Executive Officer Dr Khursheed Nizam said that Textile Asia is a landmark event, which has provided an effective podium for joint ventures and collaborations among the local textile industry and international entrepreneurs.

More than 50,000 trade and corporate visitors are expected during the three days. More than 600 foreign delegates are participating as well. The exhibiting countries include China, France, Germany, India, Italy, Korea, Taiwan, Turkey, Austria, Czech Republic, the UK and US.

Source: tribune.com.pk- Sep 15, 2017

HOME

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Peru: US accounts for 70% of Peruvian garment exports in H1

Nearly 70 per cent of all Peruvian garment exports were destined to the US in the first six months of 2017, according to Association of Peruvian Exporters (Adex). Brazil, Chile, Germany, Canada, Argentina, France, Colombia, the UK and Italy were other importers of Peruvian apparel, which included cotton t-shirts, shirts, vests and knitted dresses.

During January-June 2017, US imported approximately $300 million worth of Peruvian garments, accounting for 68.6 per cent of all Peruvian garment shipments during the period.

US apparel imports during the first half of 2017 declined by 5.2 per cent over the corresponding period of last year. However, Peru's shipments to the US during the same period increased 0.2 per cent, which is a positive sign.

Peru's textile and apparel industry employs more than 250,000 persons. Peru is currently on the 21st position in terms of value of apparel supplied to the US.

Source: fibre2fashion.com- Sep 16, 2017

HOME

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Pakistan: CPEC opens momentum of opportunities for industrial cooperation: Pervaiz

Federal Commerce and Textile Miniter Pervaiz Malik said on Saturday that Rs 180 billion export package had contributed significantly towards putting country's exports into growth trajectory, enabling Pakistani products to get proper share in the global market.

He stated this while inaugurating the three-day 18th Textile Asia 2017 International Trade Fair, jointly organised by Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) and E-Commerce Gateway Pakistan, here at Expo Centre. The exhibiting countries include China, France, Germany, India, Italy, Korea, Taiwan, Turkey, Austria, Czech Republic, UK, USA etc.

The commerce minister said that concrete steps were being taken to increase volume of country's overall exports, asserting that Economic Coordination Committee (ECC), in its last meeting, had reviewed the impact of Prime Minister's Export Package and also considered expanding its scope by including other sectors into it. Pervaiz Malik said that Prime Minister had ordered for constituting a committee to undertake a detailed analysis of the impact of the package, proposing some changes to its scope and coverage.

He said that China-Pakistan Economic Corridor (CPEC) had opened up a momentum of opportunities for industrial cooperation between the two countries. Under CPEC projects, he mentioned, the government was keen to link Chinese Small Manufacturing Enterprises with Pakistani SMEs, as a number of Chinese firms would relocate their production units in Pakistan.

The minister said that China needed markets for its products and searched for raw material while Pakistan needed access to technology to boost its industry.

He also appreciated the role of PRGMEA and congratulated its leadership for holding 18th Textile Asia successfully.

On this occasion, PRGMEA Central Chairman Ijaz Khokhar said that PRGMEA had taken the initiative with the collaboration of E-Commerce Gateway Pakistan and brought textile machinery fair in Pakistan to increase productivity and to ensure better competitiveness.

He asked the government to consider value-added textile as a key priority area by making all possible efforts to form right policies and incentives that encouraged private sector investment in value addition.

Khokhar said that the apparel segment was the highest value-added link in the entire textile value chain. "Though global market is highly competitive, Pakistan's Apparel Industry has proved its strength by pushing export by 5.55 per cent in 2016-17."

While, PRGMEA Vice Chairman Jawwad Chaudhry said that garments industry was least energy and capital-intensive industrial activity and was well-suited for Pakistan to gear up economic growth and employment.

He said that textile was the only sector which contributed US$12,452.53 million (60 per cent) to exports for the year 2016-17 and US$12,447.69 million (59 per cent) in year 2015-16.

E-commerce Gateway Pakistan CEO Dr Khursheed Nizam said that Textile Asia was a landmark event providing an effective podium for joint ventures and collaborations among local textile industry and international entrepreneurs. More than 50,000 trade and corporate visitors and 600 foreign delegates were expected at the event during three days.

Source: pakobserver.net- Sep 17, 2017

HOME

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Turkish apparel firms claim 10% of German sales volume

Turkey's ready-to-wear industry has around 10 per cent share in the German apparel sales volume, the Aegean Exporters' Association (EIB) claimed recently at the Munich Apparel Source Fair. Fourteen Turkish firms under EIB, founded in 1939 with 7,500 member firms now covering 12 industrial sectors, including textiles and apparel, participated in the fair.

Pointing out that Turkey ranks third in readymade garment exports after China and Bangladesh, Aegean Association of Readymade and Apparel Exporters (EHKIB) chair Emre Kizilgünesler said the country aims for the top rank by focusing more on the German market, a Turkish newspaper reported. He hoped that the recent political tensions between the two countries would not affect the export figures.

Turkey has the largest thread, home textile and fabric production capacity in Europe, the world's third-largest supplier of socks, ranked sixth in woven fabric, and is the largest producer of woven carpets, EHKIB Promotion Committee chair Elvan Ünlütürk told the fair delegates.

Apparel exports to Germany during the first eight months of the year registered a 7 per cent rise and reached $9.6 billion. During the same period, Turkey's ready-to-wear industry saw a 1 percent increase in exports as sales hit $2.1 billion. More than 60,000 Turkish garment and textile companies employ more than a million.

The Munich Apparel Source Fair stands for a focused range of apparel and accessories manufacturing services offered by established sourcing partners presenting their production methods in Munich.

Source: fibre2fashion.com- Sep 18, 2017

HOME

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Biological molecules added to cotton to boost durability

A team of international scientists from Israel, Germany and Austria has used a biological approach to impart functionality to cotton by incorporating biological molecules. External biological molecules that contain glucose moieties with specific functionalities were incorporated to upland cotton in vitro.

The in vitro cultures were incubated with glucose moieties that could penetrate through the cell wall to be incorporated into fibers. Glucose moieties with magnetic complexes could enable cotton to be magnetic.

The incorporation of biological molecules enables fibers to have functionalities that are durable. Washability, durability and wearability are some of the challenges faced by the smart textiles sector. The exploitation of biological methods may give new opportunities for natural fibers to penetrate into the technical textiles sector. This approach can be adapted to other fibers such as flax and bamboo.

It would be useful for the cotton industry if such efforts translate to the farm level to develop functional fibers directly from plants. Cotton is known for its versatility, performance and natural comfort.

It's used to make all kinds of clothes and home wares as well as for industrial purposes like tarpaulins, tents, hotel sheets and army uniforms. Finding value-added applications for cotton, like in wearable smart textiles, will be the next phase of R& D in the cotton sector.

Source: fashionatingworld.com- Sep 16, 2017

HOME

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Bangladesh: H&M makes breakthrough in upcycling garments

Experts have invented a technology that allows recycling of old garment items without any quality loss -- a development that will help reduce dependence on virgin raw materials like raw cotton for yarn and fabrics.

Previously, in the absence of commercially viable separation, sorting and recycling technology, the fashion industry was not able to properly recycle garment items.

“This is a major breakthrough in the pursuit of a fashion industry operating within the planetary boundaries,” said Edwin Keh, chief executive officer of the Hong Kong Research Institute of Textiles and Apparel (HKRITA).

HKRITA with an estimated funding of 5.8 million euros from the H&M Foundation made the innovation, which will be licensed widely to ensure broad market access and maximum impact.

“By being able to upcycle used textiles into new high-value textiles, we no longer need to solely rely on virgin materials to dress a growing world population,” Keh said in a statement.

The recycling method is cost effective and there is no secondary pollution to the environment, ensuring that the life of the recycled material is prolonged in a sustainable way.

“The fashion industry is using more resources than the planet allows,” said the Swedish retail giant H&M, the largest buyer of the Bangladesh's garment sector.

The technology is a major breakthrough in the journey towards a closed loop for textiles, it said. “Fashion is far too precious to end up in landfills,” H&M said in a statement.

In 2013 the Swedish retail giant started collecting unwanted garments -- irrespective of the brand or condition -- at its store across the globe.

Since the initiative was launched, H&M has gathered more than 32,000 tonnes of garments, which is more fabric than in 100 million t-shirts.

Recycling clothes will help reduce the amount of natural resources needed to produce new garments. As much as 95 percent of the clothes thrown away could have been re-worn or recycled, according to H&M.

Source: thedailystar.net- Sep 17, 2017

HOME

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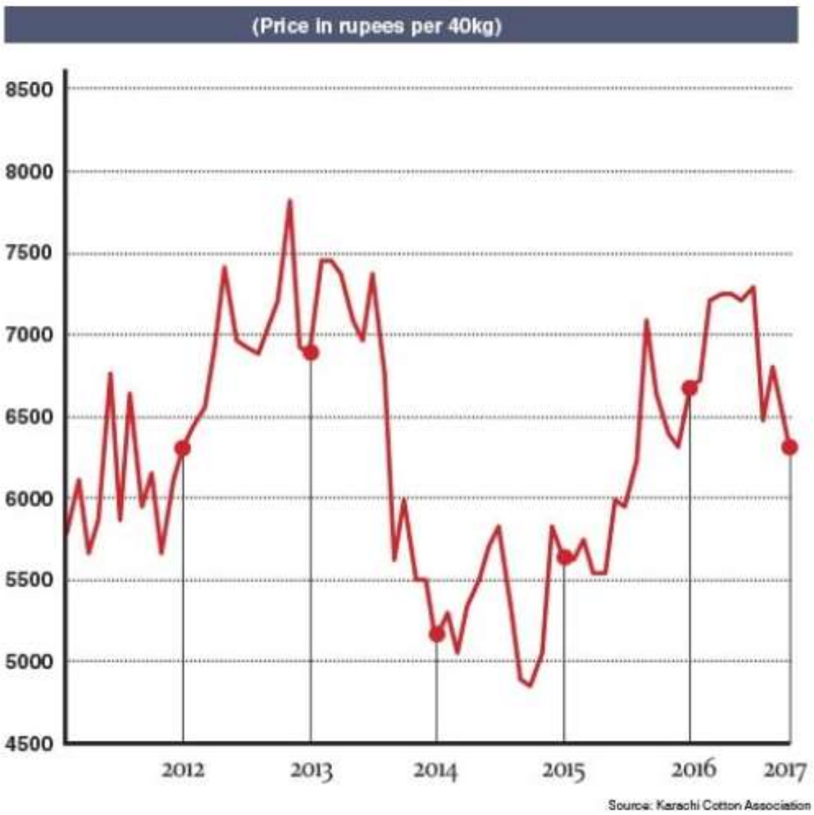
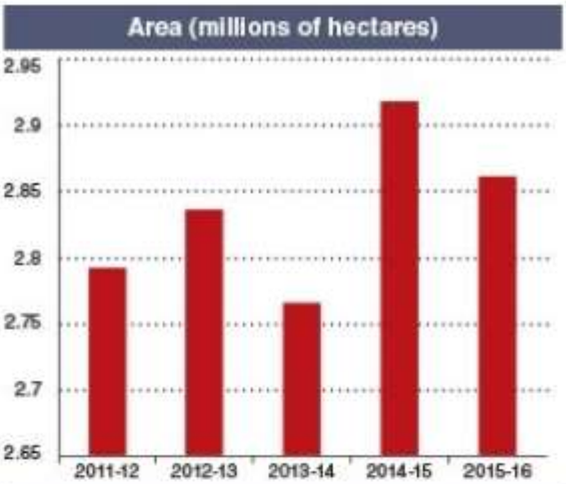
Pakistan: Local cotton prices experience volatility as US market eases

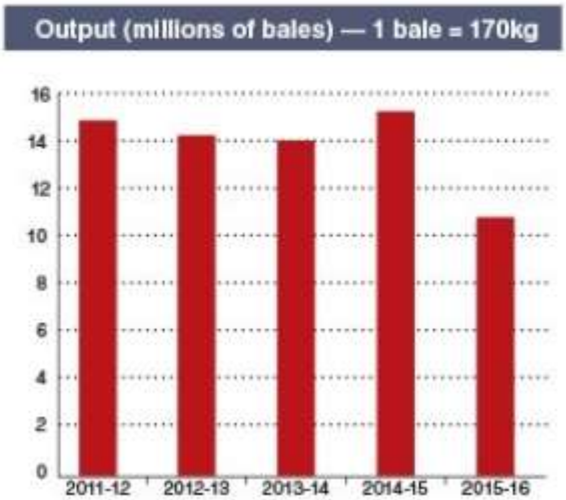


Cotton prices on the local market firmed in early September due to increased buying and a spike in US prices after two powerful hurricanes, Harvey and Irma.

But as US prices softened after fears for extensive damage in cotton-growing states subsided, a reflection of it was seen on the local market as well. As a result, ex-Karachi cotton spot rate fixed by the Karachi Cotton Association (KCA) fell to Rs6,639 per 40 kilograms on Sept 12.

On Sept 11, the spot rate was Rs6,742, which was Rs210 higher than the price quoted exactly two weeks ago, ie prior to the Harvey and Irma impact on US cotton prices. The average US cotton price eased to 71.73 cents per lb on Sept 11 after hitting a high of 75.59 per pound on Sept 8 amid fears Hurricane Irma could damage the crop.





Market sources say the easing of prices on the New York cotton market, for the time being, has halted the constant upward movement in local prices seen between Aug 28 and Sept 11.

However, cotton prices may remain firm because of the impact of end-August and early September rains in Sindh and brisk local buying, which is due to gather momentum in the coming weeks and months, brokers say. Some of them, however, expect prices to remain range-bound until spinners start big purchases.

Even before rains, the Cotton Crop Assessment Committee (CCAC) scaled down its output estimate from 14.1 million bales (1 bale = 170kg) to 12.6m bales in its Aug 10 meeting.

However, in the same meeting the committee took note of the encouraging field reports regarding a 5.7 per cent rise in per-acre plant population and up to 40pc increase in balls per plant.

Based on those reports, the committee's chairman, Hassan Iqbal, was hopeful that the eventual cotton outlook would improve and said production could even touch 14.1m bales.

But that assessment was made before early September rains in Sindh. Field reports from Sindh now suggest that rains have affected the cotton crop.

So, it is difficult to say at this stage whether we are going to get 12.6m bales or 13.75m bales (as is now being speculated after encouraging reports coming from Punjab cotton fields) or even more, cotton traders say.

Initially, Sindh was expected to produce 4m bales of cotton during this year. But due to the fact that only 94pc of the sowing target could be achieved and rains have affected cotton crops in several districts, actual production may remain somewhere between 3.6 and 3.8m bales, according to an official of the Sindh agriculture department.

In Punjab, too, cotton output is likely to remain below the original estimate of 10m bales but somewhat higher than the Aug 10 estimate of 8.9m, according to sources in the cotton market.

“Cotton prices are expected to remain firm at their current levels or they can even rise further if China starts imports,” another KCA official says, referring to media reports about possible purchase of Pakistani cotton by China.

On the other hand, demand from the local textile sector should also remain higher this year than the previous year given the fact that the textile sector is making all-out efforts to boost exports.

Pakistan’s total exports in July and August rose 13pc in dollar terms, according to the revised data of the Pakistan Bureau of Statistics. It is safe to assume that textile exports have risen too. This would be confirmed shortly after the release of detailed stats.

Some cotton brokers point out that even after a cut in forecast by the CCAC, the prices did not move up because spinning mills whose cotton yarn and fabric sales had slumped last year were cautious in making large purchases.

In fact, prices fell by up to Rs500 per 40kg in the two weeks to Aug 18 on slow local buying amid the beginning of seed cotton arrivals from Punjab.

Yarn and fabric manufacturers have accelerated their buying, which is expected to gain momentum as those manufacturers who were initially cautious in buying may come in for big purchases after the softening of prices from Sept 12, cotton brokers say.

But it would be interesting to watch price movements after the release of the latest report of the International Cotton Advisory Committee (ICAC), which has forecast 4.35pc increase in global cotton output (to 25.14m tonnes in 2017-18 from 24.9m tonnes a year ago) despite the impact of Hurricane Harvey.

The report talks about a 17pc rise in Pakistan's output compared to last year. However, since our last year's output remained low, at 10.726m tonnes, such a rise would be insufficient to cover our local demand, particularly amid hopes of a revival of textile exports. Besides, the ICAC report talks about a 16pc decline in China's cotton reserves. That's why it is being anticipated that China may resort to imports and Chinese buyers may look towards Pakistani or Indian markets.

Source: dawn.com- Sep 18, 2017

HOME

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Sri Lanka: GSP+ to raise Lanka's apparel export revenue by $400 mn

Sri Lanka's apparel exports will increase after it regained the generalized system of preferences (GSP) Plus trade concessions from the European Union (EU) in May after losing it in 2010. A further $400 million in revenues from apparel exports is now in the pipeline, minister of industry and commerce Rishad Bathiudeen said at an expo in Colombo recently.

GSP is a preferential tariff system that offers a formal system of exemption from the more general rules of the World Trade Organization (WTO). GSP Plus is a special arrangement under the EU Generalised Scheme of Preferences designed to support developing countries by fostering their economic development through increased trade with Europe and providing incentives to take tangible measures towards sustainable development.

The 9th Colombo International Yarn & Fabric Show 2017 - Fall Edition and the International Home Textile Sri Lanka Expo 2017 were inaugurated by the minister on September 15. The exhibitions have attracted participants from Taiwan, China, India, Korea and Singapore, according to Sri Lankan media reports.

Last year, Sri Lanka's apparel exports were worth $ 4.8 billion and in the first six months of this year, the figure was $2.7 billion.

Source: fibre2fashion.com- Sep 18, 2017

HOME

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Bangladesh: 46 more Alliance factories complete CAP in August

The Alliance for Bangladesh Worker Safety (Alliance) has announced that 46 additional Alliance-affiliated factories completed all material components in their Corrective Action Plans (CAPs) during the month of August. As a result, the total number of CAP-completing factories in Bangladesh has risen to 166. Alliance also suspended operations in two factories.

“Alliance-affiliated factories are beginning to achieve completion of their required repairs at a rapid pace, and we are pleased to recognise those that have made worker safety a priority,” said Alliance country director Jim Moriarty.

“We remain confident that remediation will be largely completed across our factories by next year, and we are working with trusted partners now to enable our factory inspections, safety improvements and worker training and empowerment initiatives to be sustained over the long term,” he added.

The Alliance also continued to enforce accountability measures for factories that failed to make adequate remediation progress. In August, two factories were suspended from the Alliance compliant factory list, bringing the total number of suspended factories to 158.

The Alliance was set up in 2013 as a legally binding, five-year commitment to improve safety in Bangladeshi readymade garment factories.

Source: fibre2fashion.com- Sep 18, 2017

HOME

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NATIONAL NEWS

SIMA forecasts recovery of yarn sector; lower cotton prices

The yarn sector, affected by high cotton prices in the past six months, might become normal within a fortnight with demand picking up in major domestic markets owing to coming Diwali festival, textile industry body Southern India Mills' Association (SIMA) said today.

Also forecasting stable and lower cotton prices, it said the country would also have competitive advantage in the international market also.

SIMA Chairman P Nataraj said in a statement here that the demand for yarn in the markets especially Bhiwandi, Ichalkaranji and Kolkata had picked up with the requirement for fabric going up in view of the festival season. In addition, the unsold yarn stock with the spinning mills was also low now.

The SIMA chief also said the global cotton position would be very comfortable during 2017-18 due to increase in area under cultivation of the crop area by around 11 per cent.

India was likely to get a record crop with 15 per cent increase in area and favourable monsoon and weather, he said. The cotton price would also be comparatively lower throughout the season and therefore, the domestic demand would pick up, he said.

Indian textiles and clothing industry had been passing through continuous recession during the last three years mainly due to poor off-take in the global market, he noted.

Nataraj attributed the reason to the Free Trade Agreement and Preferential Trade Agreement competitive advantage gained by the competing nations like Vietnam, Bangladesh and high tariff rates imposed on Indian textiles and clothing products in major textile makers such as the European Union, the US, Canada and China.

Source: economictimes.com- Sept 17, 2017

HOME

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CCI to host seminar in India on September 23

Cotton Council International (CCI) is all set to host its 3rd seminar in India on September 23. The one-day seminar scheduled to be held in Coimbatore will focus on the present scenario of US cotton and global cotton supply and demand. It will share information on the US cotton industry's sustainability efforts and research findings from consumer studies.

"Innovation is one reason that Cotton USA has become the cotton the world trusts," CCI executive director Bruce Atherley said. "At Cotton USA, we are dedicated to providing the entire supply chain with networking opportunities, ongoing education and the latest research and technological innovations. It is a part of the premium value we are proud to offer to the entire industry," Atherley added.

At the seminar session, William Bettendorf, director, supply chain marketing & director, Southeast and South Asia, CCI, will give a brief introduction about the US Cotton industry and would present why US Cotton is the cotton the world trusts.

The seminar will host sessions that will throw light on topics that deliver profitability across the US cotton industry and that drive export growth of fibre, yarn and other cotton products. There will also be a panel discussion among the elite user fraternity who would address the current issues in regard to the availability and usage of ELS Cotton.

Source: fibre2fashion.com- Sept 16, 2017

HOME

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Centre demands state proposal on silk sector

The Centre has asked the State Government to submit proposals under newly formed 'Central Sector Schemes (CCS) for Development of Silk Industry' for three years, including this fiscal.

Chairman of Central Silk Board (CSB) KM Hanumantharayappa said Odisha will get `6.3 crore under CSS for development of sericulture in the State during 2017-18. "We have sought proposals on projects to be undertaken under the scheme," he told reporters here on Saturday.

Hanumantharayappa visited different silk clusters in Keonjhar and Mayurbhanj districts and interacted with tasar and mulberry farmers during his five-day stay. He encouraged them to go for more mulberry farming as it is priced high compared to other silks available in the country. "Though Odisha is a predominately tasar producing State as its rich endowment of forest, east coast and tribal population enhance agro-climatic condition for tasar forestry, it has vast potential for mulberry and eri silks. Both can be promoted in coastal areas," he said.

As per an estimation, while Karnataka is producing 60 per cent of mulberry, Tamil Nadu, Andhra Pradesh and Maharashtra contribute 10 per cent each and the rest is contributed by Odisha, Jharkhand, Bihar, West Bengal and other states.

The CSB chairman said the Ministry of Textiles has been providing research and development support besides funding and technical knowhow to the State. Expressing displeasure over lack of participation of farmers from the State during farmers training programmes, he urged them to come forward and take advantage of the schemes.

"Since the State is now getting the eri basic seed from Assam and Tamil Nadu, the board has planned to open a seed farm at Koraput. Two clusters at Ghatagaon in Keonjhar and Kashipur in Rayagada district are being implemented as we are focusing more to increase production of mulberry," Hanumantharayappa informed.

As many as 20,000 tribal families in the State are practicing sericulture of which more than 16,000 are tasar farmers and 500 mulberry farmers. About 90 per cent of the total silk produced in Odisha is from tasar.

Of 125 tonne of silk produced in the State last year, 115 tonne was tasar silk. Mayurbhanj, Keonjhar and Sundargarh are three major tasar producing districts as those contribute 90 per cent of tasar silk production in the State.

Source: newindianexpress.com- Sept 17, 2017

HOME

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US storms lift Indian cotton

The world's top cotton buyers, all in Asia, are flocking to India to secure supplies after fierce storms in the US, the biggest exporter of the fibre, affected the size and quality of the crop, dealers said.

In the past week alone, India, the world's second-biggest cotton exporter, sealed deals to sell about a million bales to China, Taiwan, Vietnam, Pakistan, Bangladesh and Indonesia - key garment suppliers to brands such as H&M, Zara and Wal-Mart Stores Inc.

That compared with 300,000 bales in the two weeks before.

Dealers expect contracts similar to last week in the next few months, which could help India's exports grow by a quarter in the 2017-18 season beginning October.

"Indian cotton has great chances this year," said Chirag Patel, chief executive at Jaydeep Cotton Fibers Pvt Ltd, a leading exporter. Asian "buyers are switching to Indian cotton from the US."

Hurricanes Harvey and Irma caused widespread damage to the crop in Texas and Georgia, major cotton producing states, with the effects more widespread in Texas, dealers said.

"We definitely lost cotton in Texas. It wiped out 500,000-600,000 bales,"? said Peter Egli, risk manager at Plexus Cotton Ltd, a Chicago-based merchant, referring to the impact of Harvey in the top-producing US state.
In 2016, the US exported 86 percent of its cotton, 69 percent of which went to Asia, according to the US Department of Agriculture.

Other cotton producers like Brazil and Australia could benefit from lower supplies from the United States, but may find it difficult to match the price offered by India, where a bumper harvest is likely to keep the rates lower.

Traders in India, also the world's biggest cotton producer, signed their export deals at around 80 cents per lb on a cost and freight basis, nearly 2 cents lower than the supplies from the US, dealers said.

India could soon sell at lower prices.

Farmers are likely to harvest a record 40 million bales of cotton in the 2017-18 season beginning Oct. 1, 2017, bringing domestic prices down and making exports even more competitive, Patel said.

For the new 2017-18 season, farmers have planted 12.1 million hectares with cotton, up 19 percent from a year earlier, farm ministry data showed. India harvested 34.5 million bales of cotton in the 2016/17 season.

Favourable crop conditions would help India sell 7.5 million bales of cotton on the world market in 2017/18 against 6 million bales in the previous year, said Nayan Mirani, partner at Khimji Visram & Sons, a leading cotton exporter.

Some traders believe that India's exports could surpass 8 million bales if China, the world's biggest cotton consumer, steps up imports in 2017/18.

Beijing, which began selling cotton from its reserves on March 6, had planned to stop the daily auctions at the end of August. But it extended the sales for an additional month after local prices rose amid tighter supply, indicating the need to replenish falling inventories.

A Mumbai-based dealer with a global trading firm company said he had received a flurry of orders in the past few weeks, especially for December quarter shipments. He declined to be identified because he was not authorised to talk to media.

Hobbled by the rising rupee and unattractive global prices, India was struggling to sign export deals until a few weeks ago. But a recent rally in global prices made overseas more sales competitive.

Other than attractive prices, close proximity encouraged most Asian buyers to turn to India. While cargoes from the US take about 50 days to reach Vietnam, Bangladesh and Pakistan, India can ship its cotton in two weeks. India's new season crop will be available to buyers from October, but the supplies from the US will reach consumers only in January, said Mirani of Khimji Visram, a top exporter.

Current market trends give cotton buyers a chance to look at alternative supplies, said Vu Duc Giang, chairman of Vietnam Textile and Apparel Association.

But forecasts of higher global output will ease concerns over cotton supplies, Giang said.

The US Department of Agriculture this week said US cotton output is seen at 21.76 million bales for 2017/18 compared with 20.55 million bales projected last month.

Source: telegraphindia.com - Sep 17, 2017

HOME

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Govt should take stand on cotton contamination: Expert Cotton industry has a better future

The Indian cotton industry seems to be moving towards a better future, especially with the country planning to revive the technology mission on cotton, said Suresh Kotak, chairman Kotak and Co Pvt Ltd.

Kotak was here to attend the three-day seventh Asian Cotton Research and Development Network (ACRDN) meeting being hosted by the Indian Society for Cotton Improvement.

Kotak said that the technology mission included three mini missions to create a concept of brand India for cotton. It has plans of meeting the dream of Prime Minister Narendra Modi by doubling the income of the farmers.

The government needs to take a stand against the contamination of cotton during the collection, both willingly and by chance. The cotton is contaminated and adulterated purposely.

But the government should not tolerate this as it is turning out to be self-destructive process. It is tarnishing the image of Indian cotton in the international market, said Kotak.

Central as well as state governments should now frame regulations to prevent cotton contamination and mixing of cotton waste in the cotton. It is a malpractice which needs to be ended to prevent the cotton economy from dwindling further, he added. Kotak said that system should be ruthless to all those involved in the value chain of the cotton who engage in adulteration of cotton.

Kotak said that considering all the factors of market conditions this year a total of 365 lakh cotton bales may come in the Indian market. Of course there is a plus-minus 3% tolerance associated with it. The market price of cotton the coming season may range from Rs36500 to 42500 per candy (two units of 170kg each).

It also means that the cotton price could reach 5000-5200 per quintal. Kotak said that in the international market the cotton prices may range from 68 cents/lb to 75 cents/lb. "The prices also will depend on the political factors which have a bearing on the pricing of cotton," he said.

Source: timesofindia.com - Sep 17, 2017

HOME

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Sustainable producers are bringing respect back to the cotton value chain, from crop to garment

The term organic often conjures clichéd images of clean, chemical free food, usually in an elitist setting. Organic food is, in fact, a basic necessity along with sustainable clothing and housing. Interestingly, all our three basic necessities – food, clothing and housing – can be met sustainably through plants, the soil and with the facilitation of one of the main guardians of Earth – humans, if we live up to being good guardians of our planet.

The focus of this article is on sustainable clothing, and specifically on cotton in India and some of the community-driven initiatives to sustain the indigenous cotton movement.

A fabric embedded in history

Cotton, the oldest fabric invented by humans, was widely cultivated during the Indus Valley Civilisation when hand spinning, weaving, and natural dyeing was in vogue. Indian cotton goes back to 600 BC with its earliest mention in the Rigveda. Much later, and from the 17th century onwards, all of India's foreign traders, travellers, and invaders including the East India Company highly sought Indian cotton. Homespun and handwoven cotton or khadi was made popular by Mahatma Gandhi as a part of the swadeshi movement beginning 1905, symbolic of the end of dependency on foreign goods during the British rule.

While most of us think cotton clothing is cool, healthy and safe, the story of mass-produced commercial cotton is quite the opposite. This includes handlooms and sometimes even khadi. Most textiles are not entirely organic or socio-environmentally just, with some form of chemical input or social injustice at certain stages. This downfall came about in the 19th century with the onset of the Industrial Revolution followed by mass factory production, capitalism, and the present neoliberal era.

The cotton textile industry continues to flourish in India as a big number to be added to our Gross Domestic Product, for large corporations to profit from, and to provide, employment in factories. However, the story at the starting point of the cotton value chain is grim. Cotton farmer suicides are high due to reasons such as the high agricultural investments required for hybrid and genetically modified varieties like the controversial Bt cotton, a debt trap created by local moneylenders, poor yields due to factors like monoculture and climate change. Also, spinners, weavers and tailors are often on very low daily wages that are not commensurate with the hard work they put in.

The sustainable clothing movement

Socio-environmental injustices often lead to social movements and activism led by those in the community who are determined to make a change. Such movements are a powerful means of achieving transformative change along with civil society to support and champion its objectives.

Three social activists based out of Chennai were concerned about these injustices and put their thinking caps on. Jaishankar is a farmer and social activist, Pamayan is a popular writer and social activist, and Anantha Sayanan (Ananthoo) is a safe food activist and one of the co-founders of two organic stores and community centres called ReStore and Organic Farmers' Market in Chennai. Ananthoo explained, “Hand-spinning and hand-weaving are labour intensive and women centric tasks, yet spinners and weavers are paid a pittance of Rs 120-160 a day.” He added, “The best solution is to have a distributed and decentralised model for the cotton industry with better wages and dignity and with the least number of middlemen involved as possible.”

In 2011, they formed a social enterprise called Tula in Chennai as not just a store that sells fair trade and sustainable cotton garments but as a holistic institution that takes into consideration the entire cotton value chain from crop to garment, with every stage being livelihood sustaining and socio-environmentally just. They realised very early on that there are many more interconnected livelihoods in the cotton clothing segment such as spinners, weavers, dyers and tailors. They brainstormed and came up with a balanced model that incorporated the entire cotton value chain and that could also be easily replicated or scaled up by others wanting to venture into the sustainable cotton segment. They began in the cotton belt of the Madurai region of Tamil Nadu and retailed their garments at ReStore.

However, in the first year of working in this region, they were ridden with a variety of challenges such as erratic weather conditions, farmers switching to a hybrid variety of maize for cattle feed for the quick profits it fetched, and many farmers who preferred to work with large export garment establishments in Tiruppur due to the social prestige associated with them. Eventually, an organic agricultural policy introduced by the Karnataka government made it easier for Tula to work with farmers in Karnataka.

They wanted to focus not just on organic cotton but also on desi (indigenous), rain-fed and old world, short staple varieties rather than the hybrid, long staple, American variety and the infamous genetically modified Bt cotton that the farmers were growing. Desi cotton is less water intensive, naturally resistant to many pests and diseases, and boosts the livelihoods of farmers, spinners, weavers, and tailors.

According to Ananthoo, "Since desi cotton is cultivated as a polyculture where there is intercropping and companion planting, it ensures that food is brought in along with fibre."

Tula works closely with the Alliance for Sustainable & Holistic Agriculture, which is a nationwide informal network of over 400 organisations across 20 states in India led by activist Kavitha Kuruganti.

ASHA and Tula organised a Kisan Swaraj Yatra in 2010 – a nationwide mobilisation to draw attention to issues pertaining to food, farmers, and freedom. They also work with a network of farmers across Karnataka called Sahaja Samrudha, dedicated to reviving traditional seeds.

The Janapada Seva Trust in Melkote, Karnataka, helps with the weaving and stitching of Tula garments. This is a voluntary organisation founded by Gandhian and Jamnalal Bajaj awardee, Surendra Koulagi in 1960 that focuses on social and economic elevation of the weaker sections of society.

Nature Alley that mainly stocks khadi clothing. Besides working with cotton farmers in Karnataka, Tula has also started working with farmers in Vidharbha, Maharashtra, which incidentally is the worst-hit Bt cotton belt, witnessing devastating farmer suicides.

National Handloom Day

There have been many events and exhibits all over India recently to celebrate National Handloom Day on August 7. The Central government declared August 7 as National Handloom Day in 2015 at a function in

Chennai attended by Prime Minister Narendra Modi, to mark the beginning of the Swadeshi Movement that started in 1905 on this day.

Some of the workshops in Chennai recently included a unique four-day Hand Spinning and Wellness Game workshop at the Theosophical Society from August 4 to August 7, facilitated by Shiva Kumar Bharathi from Bengaluru. The holistic workshop focused on hand-spinning as a part of a broader wellness and sustainable living programme.

The art of cotton spinning at the workshop was taught and facilitated by Madhav Sahasrabuddhe, an engineer-turned-spinning activist and teacher from Pune. He was introduced to spinning by Sadashivrao (Dada) Bhosale a decade ago and has been spinning and teaching how to use a charkha ever since. Sahasrabuddhe's book called the Art of Spinning, is available for free download. All the participants worked on and took back a beautiful portable charkha specially ordered from Gram Seva Mandal, Wardha, Maharashtra. Only desi (indigenous) varieties of ginned cotton slivers that included Tamil Nadu's native variety called karunganni cotton, were used by the participants to spin yarn.

On August 15 and August 16, a Weaver's Exhibition and Sale called Freedom of Fabric was organised at Thakkar Bapa Vidyalaya, Chennai, by Tula. The participating organisations working with weavers and farmers from across India included Nature Alley (Bengaluru), Soot (Jaipur), Mahatma Gandhi Gramodyog Sewa Sansthan (West Bengal) and Tula (Chennai). They displayed and sold socio-environmentally just, naturally dyed garments, contemporary handlooms, and the fine Bengal muslin.

Fine muslin used to have a big market before the Industrial Revolution. However, post that, when mass production was the norm in Europe, small muslin artisans went out of business. Arup Rakshit from MGGSS said, "To weave muslin, high humidity is required in the room.

Traditionally, muslin weaving was done in mud houses and woven before sunrise to control the temperature. The government has however made concrete structures now and it doesn't control the temperature as effectively as the mud structures." These are a few of the numerous challenges faced by the muslin weavers.

However, there is a silver lining to reviving some of the lost art of handlooms and artisan livelihoods. Ananthoo said, “It is exhibitions like these in cities that are pushing urban consumption, thereby increasing the demand for handlooms.

Recently, a few educated youngsters in their early 20s happily joined the weaving centre in the Vardhaman district in West Bengal. We now have younger weavers joining the weaving profession because of greater urban demand and better compensation. The sheen and esteem associated with the profession is slowly but surely making a comeback.”

Source: scroll.in - Sep 17, 2017

HOME

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Need to restore the lost glory of cotton in India: Textile commissioner Gupta

Time has come to restore the lost glory of Indian cotton. Country just doesn't need to increase its productivity and improve the quality of the cotton but it also needs to double the income of cotton farmers and non-farmers associated with the cotton industry by 2022. With the second technology mission on cotton in the offing all this seems possible," said Kavita Gupta, the textile commissioner of India.

Gupta was speaking at the valedictory function of the three day Asian Cotton Research and Development Network (ACRDN) meeting organized by the Indian Society for Cotton Improvement (ISCI) in collaboration with the International Cotton Advisory Committee (ICAC), the Central Institute for Cotton Research (CICR) and the Central Institute for Research in Cotton Technology (CIRCOT).

The commissioner said she saw a lot of hope in the young scientists who have excellent ideas and believe in innovation. These scientists she said should ensure the traceability of cotton, evolve suitable bale tagging process, develop agro-climatic zone specific varieties and develop synergy between all various factors impacting cotton which will give the required momentum to the whole process. Cotton she said was one commodity which generated a lot of employment from the farmers to the industry. 'Cotton is here to stay,' she said.

Stressing on bringing cotton to premier quality Gupta said that India needs to brand its cotton. She expressed her concern over the declining quality of cotton. Contamination and adulteration were two major problems that need to be addressed immediately to bring cotton to international standards and be competitive.

Although India had the highest area (36%) under cotton and was the biggest cotton producer the productivity was almost half (25%) of that of the major cotton growing countries. The average productivity in India was 500-570 kg/lint per ha as compared to world average of 900 plus kg/ha. Australia with highest productivity has an average of about 2619/lint kg /ha. India exports one third of the produce. "In Punjab there are farmers who produce 2500kg/ha. Why this can't be replicated elsewhere," said Gupta.

Earlier C D Mayee, former chairman of the national Agriculture Scientists Recruitment Board (ASRB) in his valedictory talk stressed on the need for regulations to control the seed, fertilizer and pesticide market. He said cotton in India was victim of democracy. He demanded a board at national level to control the lacunae in the system.

Mayee said that the value addition activities should be encouraged. These activities can fetch 30% income to the farmers. He said that there has been a good period for cotton with developments in technologies but despite this there has been a yield stagnation. Hence there is need to educate the farmers and the policymakers equally about changing the cotton production scenario in country. The high density plantation system (HDPS) was a perfect technology that has answer to increasing production. 'We need to select the best cultivars for HDPS,' he said.

M V Venugopal from CICR presented the recommendations of the ACRDN meet. Keshav Kranthi, the head of the technical information section of ICAC Washington and K S Kairon, former CICR director were also present on the occasion. Sundar Murthy proposed vote of thanks.

Source: fibre2fashion.com- Sep 18, 2017

HOME

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Middle income trap

India's per capita income has been holding well above $1,000 (in 1990 dollar terms) since 2013, formally qualifying it as a middle income country and, according to WTO rules, making it ineligible to provide direct export subsidies. This was expected. What was not is the Centre's inaction so far.

It should have known this was coming — with India's record of consistent growth — even when it unveiled its Foreign Trade Policy (2015-20).

Instead, the Centre announced the Merchandise Export from India Scheme as late as August last year, providing a flat export benefit across 5,000 tariff lines at a cost of over ₹22,000 crore.

The interest equalisation scheme, a souped up version of the interest subvention scheme, was announced in November 2015. Meanwhile, explicit export subsidy schemes such as duty drawback (reimbursement of import duty on inputs) continue. Under WTO, production-based subsidies such as technological upgradation, capacity building and infrastructure development are permissible.

Even for countries below the $1,000 per capita threshold, product-specific subsidies may be questioned if the export of the product concerned accounts for over 3.25 per cent of the global exports for over two consecutive years.

In that case, the country concerned will have to phase out subsidies over eight years. India's textiles sector came under the scanner for this reason some years ago. It can be reasonably expected that India will be dragged to the WTO for its subsidies regime. There are no indications that it is well prepared for the eventuality.

Buying time is easier said than done. This is because India is regarded as an emergent economy, rather than a "developing" one — an image makeover that has happened not just because of the high growth years of 2003-08 but also on account of hardsell to global observers that the economy is a big player on the world stage.

To now argue that India still has pockets of underprivileged, as it indeed does, for which it needs to sustain its subsidies, would somehow seem like an unconvincing change of tack. This sense of awkwardness in international negotiations has been exposed every now and then — for instance, in the climate talks leading up to the Paris pact.

India has managed to get away with a commitment to reducing the emissions intensity of its GDP (citing development needs) rather than promise actual emission cuts. As India continues with its grandstanding in forums such as the G-20, its negotiating space in the WTO, climate talks and forums such as RCEP may get reduced. The Centre must take serious note of this contradiction.

As for exports, the commerce and industries minister should push for a new regime of support to exports — one that is based on improving ease of doing business. Exporters are already struggling, coping with feeble markets and GST. The Government needs to reach out to them and resolve their concerns — while telling them that direct subsidies cannot be continued.

Source: thehindubusinessline.com- Sep 18, 2017

HOME

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E-commerce festive sales to cross Rs 10,000 crore

India's e-commerce firms may sell over $1.7 billion or Rs 10,880 crore (as per current exchange rate) worth of goods during the festive sale this year, as large firms, such as Amazon, Flipkart and Paytm Mall, line up products and offers to woo customers on their platforms.

In the 2016 festive sales, Indian e-commerce firms saw sales of $1.05 billion as home-grown Flipkart used the sale period to fight back an aggressive Amazon to retain its top slot. It also witnessed Snapdeal being edged out as a serious contender in the e-commerce marketplace model before looking at a different model, after it rejected an attempt to merge with Flipkart.

Since last year's comeback, Flipkart has got strategic investors such as Tencent, eBay and SoftBank, the world's biggest Internet investor, to back it, building a war chest of over $4 billion to take on competition this festive season. It looks to double or treble sales this year.

Amazon, which has built a loyal base of users through its Prime subscription service, is also hoping to double its business. Paytm Mall, backed by Alibaba, has expanded its online play to bring offline players to the Internet and offer their products and services to customers.

"This year is likely to be the biggest sales event in the history of online retail. With a much larger online user base, higher than ever exclusive product selection and likelihood of attractive discount across categories, this will truly be a bonanza of sorts for all industry stakeholders alike — sellers, consumers and e-tailers themselves," said Anil Kumar, CEO of RedSeer Consulting.

Both Amazon and Flipkart are signing up deals with mobile manufacturers, looking to capitalise on demand for smartphones. Over 55 per cent of the sales in terms of value is from smartphones for India's e-commerce players. Flipkart leads smartphone sales with 53 per cent share, with Amazon contributing 35 per cent and Paytm Mall a little less than five per cent, according to RedSeer data.

Flipkart has already declared 2.5 per cent expected growth in smartphone sales during this season. Paytm Mall has fortified its inventory with a Rs 1,000-crore package of products for their inaugural festive sale. Flipkart will begin its five-day 'Big Billion Days' sale from September 20 and offer discounts and deals on every handset sold through its platform.

Amazon will host its sale between September 21 and 24, with Prime consumers getting exclusive offers and deals a day earlier. Both firms have been preparing for the season by beefing up their logistical and warehouse teams. Amazon has opened a 400,000 square feet fulfilment centre in Hyderabad.

Source: uk-news.net- Sep 18, 2017

HOME

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After 12 straight months of growth, exports may face real test Sept onwards

The sector has continued raising the issue of the refund mechanism for taxes paid under GST being difficult

Despite August export figures jumping by 10.3% year-on-year and the country completing 12 straight months of growth, exporters and economists alike remain sure that coming months would prove to be the real challenge for merchandise exports.

That is largely due to niggling tax refund issues under the goods and services tax (GST) regime, exporters complaining of crippling liquidity and the Rupee expected to climb steadily in the coming months.

Low base effect

"It should be kept in mind that till August 2016, exports were declining and therefore year-on-year comparisons would take place on a low base. From September 2016 exports onwards, started rising and figures for September 2017 would adjust accordingly," said Ajay Sahai, director-general at Federation of Indian Export Organizations (FIEO).

The sector has continued raising the issue of the refund mechanism for taxes paid under GST being difficult. Exporters have to now pay integrated GST on import of goods and then claim refunds under the new indirect tax system.

This, they say, is leading to export firms running empty on capital. As a result, order books have taken a hit of up to 15% across industries and product categories, according to FIEO.

The large drop was for export orders that were meant to be delivered until October, Sahai said adding that the dip was largely on account of exporters foregoing orders due to lack of credit. This will be represented in the figures for September, he added.

With the festive season in the United States and Europe starting from November onwards, slowing order books are a prime concern for exporters of apparel and other consumer goods.

SMEs to suffer

From the August trade data, it has become evident that exports from labour intensive sectors such as gems and jewellery, readymade garments and handicrafts, which have a high concentration of small and medium players, have been declining consistently or are plagued by marginal growth, a Mumbai based trade expert said.

Apparel exports grew 0.5% in August after declining for three months while Gems and jewellery exports declined by over 25%, a weaker performance than the 22% contraction in July.

On the other hand, more consolidated sectors have seen an upturn. “Engineering exports have been growing at a respectable pace and the growth is due to a pick-up in base metals. But the rupee value is a cause for concern," said T S Bhasin, chairman of the Engineering Exports Promotion Council of India.

Rising Rupee to reduce competitiveness

The consistent rise of the Rupee is also expected to dampen export growth as economists predict it will continue to rise in the current financial year.

"According to our calculations, the Rupee is expected to appreciate by 2-2.5 % at the least in the current fiscal. Foreign portfolio investors have pumped in more than $25 billion worth of capital in the economy and that is only expected to go up as China also scouts for investment opportunities." Chief Economist at India Ratings, Devendra Pant said.

The fact that ongoing geopolitical issues in Qatar, North Korea and elsewhere haven't affected the free flow of foreign capital bolsters that assumption, he added.

On Friday, the Rupee had closed at 64.08 a dollar. So far this year, the rupee has gained 6%, while foreign institutional investors (FIIs) have bought $6.76 billion and $20.31 billion in equity and debt, respectively.

The government response

As of issues arising out of the GST, the government has now formed a committee headed by Revenue Secretary Hasmukh Adhia. While it will try to find an institutional mechanism to resolve the problem of exporters, the government has in the meantime tried to douse some fire.

After taxing the sale of scrips for export promotion schemes such as the merchandise exports from India scheme, among others at 12% under GST, it has within a month again reduced the rate to 5%. Also, it has allowed a decrease in threshold limit of Rs 20 lakh (Rs 10 lakh for specified states) without registration of job worker.

Crude prices may come down

The helping hand extended to exports by growing petroleum exports boosted by rising crude prices may also be a temporary benefit. As refineries in the United States go back to stable production after the spurt that was seen in the wake of hurricane Harvey, crude prices may again drop.

The Gloom

- Exporters claim liquidity crunch has reached crisis levels due to GST
- The lag and difficulty in getting tax refunds remain.
- This has led to orders being foregone; orders fell by 15 per cent till October
- Economists have warned that the rupee will continue to rise in value Crude oil prices may come down, robbing India the advantage in petroleum exports.

Source: business-standard.com- Sep 18, 2017

HOME

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