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The Cotton Textiles Export Promotion Council (TEXPROCIL)

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IBTEX No. 203 of 2019 October 18, 2019

US 71.41 | EUR 79.05 | GBP 91.11| JPY 0.66

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19665	41100	**73.54**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19540	40839	**73.07**

International Futures Price

NY ICE USD Cents/lb (December 2019)	64.99
ZCE Cotton: Yuan/MT (January 2020)	12,600
ZCE Cotton: USD Cents/lb	80.75
Cotlook A Index – Physical	**75.00**

Cotton Guide: The Cotton futures have had a mixed to bullish tone yesterday as the ICE contracts settled higher. The ICE December contract settled at 64.99 cents per pound with a change of +45 points. The ICE March 2020 contract settled at 65.51 cents per pound with a change of +32 points whereas the May 2020 contract settled at 65.89 cents per pound with a change of +17 points. The volumes were around 100% more than the average figures, with the total summing up at 32,100 contracts. The total open interest rose by 1,836 contracts to 239,222 contracts.

The Export Sale weekly report was not released yesterday as it is postponed due to a federal holiday in the US. It will be released this evening.

The MCX contracts also emanated a mixed tone. The MCX October contract settled at 19,540 Rs per Bale with a change of +30. The MCX November contract settled at 19,260 Rs per Bale with a change of +10 Rs. We can expect the volumes at MCX decreasing with the festive season of Diwali knocking at the door. Yesterday's volumes were at 844 lots which were lower as compared to the higher figures seen during a span of 5 sessions.

The Cotlook Index A has been updated at 75 cents per pound with a change of +100 points. Old Shankar 6 prices are at 41,100 Rs per Candy whereas new northern crop prices are at 37,600 Rs per candy.

While we write this report, the ICE December contract is trading at 65.36 cents per pound, which is a figure seen after 3 months. The same figure was seen on July 11, 2019. We can expect the markets to be jittery today with the release of the export sales data. We expect the export sales data to be higher this week too; as Pakistan's total demand has increased due to a smaller crop this year. Pakistan will have to import nearly 5 million bales to satisfy its need of 14.5 million bales.

On the geopolitical front, with the first partial agreement being drafted (between US And China), it will be interesting to see the reference to cotton in those documents.

On the technical front, ICE Cotton have given an Inverse Head & shoulder pattern breakout, and is trading within an upward sloping channel, which would act as the immediate resistance. Price are above the daily EMA (5, 9) at 64.31, 63.59 which would act as immediate support. The momentum indicator RSI is at 67.40, implying positive bias for the price. The immediate resistance for the price would be at 66.40, 100% Fibonacci extension level, while the immediate support would be at 63.80 (61.8% Fibonacci extension level). Thus for the day we expect price to trade in the range of 66.40-63.80 with positive bias. In MCX, we expect the price to trade within the range of 19400-19900 with a bullish bias for the price.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	Topics
1	China, Mauritius sign free trade agreement
2	China-US trade war continues to dampen wool demand
3	Pakistan, Egypt agree to promote trade, sign MoUs
4	Pakistan: Textile sector in dire straits
5	Zimbabwe govt partners UK for economic partnership

	NATIONAL NEWS
1	Govt expands PM's Economic Advisory Council; appoints 3 part-time members
2	New industrial policy not to replicate state models
3	Important for India to keep fiscal deficit in check: Gita Gopinath
4	Karnataka ranked as India's most innovative state, says Niti Aayog
5	Khadi may soon open its maiden foreign venture beginning with Bhutan
6	Fall in raw cotton rates: Why CCI entry has failed to cheer farmers in Punjab

INTERNATIONAL NEWS

China, Mauritius sign free trade agreement

China and Mauritius signed a free trade agreement (FTA) here Thursday, the first FTA between China and an African country, according to the Ministry of Commerce (MOC).

The China-Mauritius FTA is the 17th FTA signed by China.

The agreement covers trade in goods and services and investment and economic cooperation.

The FTA will not only provide a more powerful institutional guarantee to deepen bilateral economic and trade relations, but also boost China-Africa economic and trade cooperation, according to the MOC.

Negotiations on the China-Mauritius FTA were officially launched in December 2017. The two sides formally concluded the negotiations on Sept. 2, 2018, after four rounds of intensive negotiations.

In the area of trade in goods, China and Mauritius will eventually achieve zero tariffs on 96.3 percent and 94.2 percent of product tariff items, respectively, involving 92.8 percent of import volume for both countries from each other.

For the remaining tariff items of Mauritius, the tariffs will also be greatly cut, and the maximum tariffs for most of the involved products will not exceed 15 percent.

China's main exports to Mauritius, such as iron and steel products, textiles and other light industrial products, will benefit from it.

Special sugar produced in Mauritius will also enter the Chinese market gradually.

The two sides also agreed on rules of origin, trade remedies, technical barriers to trade and sanitary and phytosanitary issues.
In the area of trade in services, China and Mauritius both promised to open up more than 100 sub-sectors.

Mauritius will open up more than 130 sub-sectors in important service fields such as communications, education, finance, tourism, culture, transportation and traditional Chinese medicine to China.

This is the highest level of opening up in the field of services in Mauritius so far.

In the field of investment, the agreement has been greatly upgraded from the 1996 China-Mauritius bilateral investment protection agreement in terms of protection scope, protection level and dispute settlement mechanism.

This is the first time that China has upgraded the previous investment protection agreement with an African country, which will not only provide stronger protection for Chinese enterprises to go to Mauritius, but also help them further boost investment cooperation in Africa through the platform of Mauritius, according to the MOC.

Meanwhile, the two sides also agreed to further deepen economic and technical cooperation in agriculture, finance, medical care, tourism and other fields.

The two sides will undergo respective domestic procedures for the agreement to take effect.

Source: xinhuanet.com- Oct 17, 2019

HOME

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China-US trade war continues to dampen wool demand

CONTINUED tariffs on Chinese woollen garment imports into the United States are contributing to subdued wool textile chain sentiment.

Australia's auction market continued to display weakness this week, with the AWEX Eastern Market Indicator falling 26 cents to close at 1517c/kg clean.

National Council of Wool Selling Brokers of Australia executive director Chris Wilcox said there was still uncertainty about what The United States and China had agreed in negotiations to resolve the trade war between the two countries.
"There is so much uncertainty and lack of clarity about what they have agreed that I doubt we will see any impact on the wool market unfortunately.

"There seems to be a general consensus around the world that is hard to understand what they have agreed and what benefits there are," he said.

After some initial positive reaction about agreements arising from the meeting, I have seen nothing at all that helps the wool industry.

"The 15pc additional duty on imports of wool clothing from China introduced by the US Government remains in place, adding to the cost for US clothing wholesalers and retailers," he said in his weekly newsletter to NCWSBA members.

"This contributes to the subdued sentiment throughout the wool textile chain."

Some normalcy returning to wool trade

Australian Wool Innovation said in its weekly market report today that the trading business situation appears to be returning to normal, with relatively regular business being available around the daily price for the past fortnight.
"Movements in the very recent period have largely been supply-driven, both on volume and wool type."

AWI said about a third of that weakness in the Australian wool market this week was currency-driven as the Australian dollar strengthened against the US currency week-to-week.

"In US$ terms the US EMI was just 1.1pc or US12 cents lower, to see that indicator at the US1029 c/kg clean level by the end of the selling week."

AWI said the auction room action for the past two or so weeks has seen buyers showing far more control and firm, more committed buying.

"The acceptance of current price levels appears to be widespread.

"Most companies are committed to strategizing loss-recovery plans from the hectic financial results caused by the dramatic and speedy downturn in price."

AWI said traders again led buyers' lists in the auction rooms.

"Merino prices for both fleece and skirtings traded 30 cents lower, crossbreds were 50 cents cheaper and cardings remained generally steady for the week."

AWI said the global economy is showing signals of better health with Brexit and the US-China trade imbalance dispute seemingly on a much sounder footing.

"The initial retail figures from the Northern Hemisphere early autumn retail sales are still to come in, but hopes are they are good and can remain so, leading into the traditionally strong Singles day and Black Friday sales to come later in November.

"According to capital economics, retail sales in China increased by nearly 0.7pc in August of 2019 compared to July 2019," AWI said.

"On top of that, China's trade surplus also increased to almost US40 billion in September 2019 which is massively up from the US31 billion in the same month of last year.

"That surplus number exceeded expectations by a whopping 18pc or US6 billion," AWI said.

AWI said exports from China still produced a 3pc drop compared to last year, but this was offset by an import reduction of over 8pc.

“For the year to date figures, the Chinese trade surplus increased to US300 billion from US220 billion in the corresponding period of the prior year.

“The above situation should be viewed as a big positive for Australian wool growers,” AWI said.

“Primarily, China accounts for importing 75pc of our annual wool clip.

“In simple terms, three out of every four dollars wool growers’ receive comes from Chinese pockets.”
More importantly though, the Chinese domestic consumer now buys upwards of 45pc of the final wool product, making China the largest consumer of wool in the world, AWI said.

About 33,000 bales are scheduled to be offered next week, with Sydney only having a one day sale due to the lack of willing sellers.

Source: sheepcentral.com- Oct 18, 2019

HOME

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Pakistan, Egypt agree to promote trade, sign MoUs

Pakistan and Egypt recently agreed to work out measures to focus on their untapped economic potential and promote bilateral trade at the first meeting of the Pakistan-Egypt Joint Working Group (JWG) on Trade held in Islamabad. The joint working group was established at the sidelines of Pakistan-Egypt trade conference in Islamabad yesterday.

Pakistan’s commerce ministry and the Egyptian Commercial Service signed a memorandum of understanding (MoU) to set up the JWG on trade.

The Pakistani delegation was led by commerce secretary Ahmed Sukhera while Egypt was represented by first undersecretary of Egyptian Commercial Service Ahmed Anter.

Both sides agreed to enhance trade in key sectors, including textiles and leather products, agricultural products, engineering industries (electrical apparatuses and power appliances), construction and building materials, fertilisers and chemicals, medical and surgical instruments and pharmaceuticals, according to Pakistani media reports.

A separate MoU between the Trade Development Authority of Pakistan (TDAP) and Egyptian Commercial Service was signed to enhance trade promotion efforts.

The ministry of commerce and textile organised a parallel Pakistan-Egypt Trade Conference in the capital city. It was the first of a series of such conferences planned with African countries under the 'Look Africa Policy Initiative' of the ministry.

Source: dawn.com- Oct 17, 2019

HOME

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Pakistan: Textile sector in dire straits

The textile sector is on the verge of complete standstill due to the worst-ever financial crisis emanating from the imposition of the 17% sales tax, CNIC condition for transactions and high cost of bank borrowing. To further complicate the matter, delay in processing of refund claims has completely blocked the flow of cash within the sector, on top of that, the FBR issued Bonds in lieu of sales tax refunds are nothing more than non-negotiable paper carrying no sovereign guarantee. Given such stark illiquidity in the market and very slim margins in the sector, these imprudent policy measures combined will lead us to a massive de-industrialization, fall in exports, worsened Balance of Payments (BoP) and unmanageable levels of unemployment.

Pakistan's largest manufacturing industry and locally produced cotton which is commonly labeled as "white gold" is subjected to a major collapse after the abolition of SRO 1125-Zero rating and imposition of 10% sales tax on locally produced cotton. Abolition of SRO has created unsustainable discrimination against the domestic industry supplying input goods to exporting units against exporters importing their inputs through DTRE, EOU or Bonds. These schemes allow a registered exporter to import goods without duty and taxes and to purchase zero-rated input goods. This 'discriminatory' treatment between the imported raw materials and locally manufactured similar input goods is resulting in the closure of the local industry while encouraging unnecessary imports.

The 17% Sales Tax regime on exports has increased the cash flow requirement equivalent to additional Rs. 25 to 30 billion per month on $ 1.1 Billion (or Rs 170 Billion) worth of textile exports each month. The laborious system of refunds based on receiving the export proceeds after dispatching the goods makes it difficult for industry to self-finance Rs 180 -Rs 240 billion to continue financing the export requirement. The refinance limit of Rs. 480 billion has already been exhausted, which requires industry to finance Rs. 520 billion through own resources which could very well have gone towards modernization and expansion.

Furthermore, textile industry, despite being efficient and competitive, is losing its own domestic market to the imported textiles that are either grossly under-invoiced or are smuggled into the country. Additionally, the value of textile products dumped in the name of used products is enormous in Pakistan. Pakistan's imports for used clothing are almost 10 times greater than India's.

Moreover, when a company holding a DTRE, Bond or EOU licence needs to buy raw materials like cotton, yarn or greige fabric, if it imports them, it does not have to pay sales tax or duties, whereas, if they buy the same material from domestic industry, it is required to pay 17% GST and wait for its ultimate refund after exports which entails a minimum wait of 9 months. A fair treatment can only be ensured if the entire input chain is subject to the same percentage of sales tax.

Under these circumstances, the domestic industry has no chance to compete with imported raw materials. In the past, since the entire sector was zero rated, domestically produced goods had a commercial edge on imports because of rapid availability and assurance of timely delivery and quality.

Liquidity is the critical factor for every business entity in deciding the ratio of imported and local raw materials. Financial gains promised to change input ratio in favour of imported raw materials having no sales tax on them clearly illustrates the commercial advantage attached to increasing quantum of imported raw material in input mix. No businessman is likely to limit his liquidity in the chain of sales tax refunds on domestic inputs when this can be avoided through cheaper imports.

The new GST rules have distorted the level playing field that was operating and now heavily favors sales tax free imports. This distorted playing field applies to all the raw materials in the textile industry starting from cotton, yarn to greige fabric to PSF etc. In the case of cotton, local phutti prices are already depressed by Rs 300-400/maund. It is feared that the limited demand for domestically produced cotton may lead to a situation where the substantial amount of cotton crop in the fields may not even be picked up.

Currently, cotton is subjected to 3 different types of duty and taxation systems. First of all, if cotton is imported through DTRE and EOU, etc., it is exempted of any duty or tax. Secondly, there is 5% sales tax on direct cotton import without any scheme, thirdly, a 10% sales tax is levied on domestic purchase of cotton. The highest level of taxation on domestic cotton purchases is actively promoting cotton imports over domestic cotton purchase.

The system of having multiple tax rates for similar commodities in identical markets is bound to be abused and will definitely fail. The 17% GST system can only survive if same rate is applied across the system. It appears that the government policies do not take into account the need to develop and support domestic industry and are actively substituting local production with imports.

Similarly, deindustrialization and a massive loss of jobs is bound to occur as the government policies continue to favor imports over domestic production. Under the current circumstances since more inputs will be imported, net exports (difference between exports and inputs) will decline and the balance of payments (BoP) would be adversely affected.

Cotton economy is a major source of revenue for Pakistan. Liquidity and Working capital in business is just live blood in human body. Optimum and appropriate movement of blood through the body is extremely necessary to continue life. Like human blood, the proper circulation of funds (working/circulating capital) is utmost necessary to continue business. The vicious cycle of stuck liquidity is detrimental to the large scale manufacturing sector. Running any businesses is now fraught with uncertainty and as a result, exports are most likely to decline precipitously in future.

Amendments are urgently required in the Sales tax laws and rules so that sales tax is payable on all goods that are imported under any scheme except those that are not manufactured in Pakistan. The refund policy has to ensure refund within 7 days of Goods Declaration (GD) filed with Customs to ensure liquidity of the market and restoration of cash flows to avoid a market crash. The delay in the payments of outstanding dues has precipitated the textile sector to an unsustainable liquidity crisis which will significantly hinder any export growth.

Source: brecorder.com- Oct 18, 2019

HOME

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Zimbabwe govt partners UK for economic partnership

Government has approved the ratification of the Eastern and Southern Africa-United Kingdom of Great Britain and Northern Ireland (ESA-UK) economic partnership agreement aimed at maintaining access to the UK market by Zimbabwe and other countries.

Speaking at a post-Cabinet briefing in Harare yesterday, Information minister Monica Mutsvangwa said under the agreement, the UK would grant duty-free and quota-free market access for all goods exported by the ESA countries to the UK, except for arms and ammunition.

“Following presentation by the Attorney-General, Cabinet approved ratification of the Eastern and Southern Africa-United Kingdom of Great Britain and Northern Ireland economic partnership agreement. The agreement seeks to ensure the maintenance of existing market access to the UK by ESA Signatory States, which comprise Zimbabwe, the Comoros, Madagascar, Mauritius, the Seychelles and Zambia,” she said.

“In terms of the agreement, the UK will grant duty-free and quota-free market access for all goods exported by the ESA countries to the UK, except for arms and ammunition. On their part, the ESA States will continue to gradually liberalise 80% of their trade imports from the UK covering capital, raw materials and intermediate goods up to 2022.”

Source: thezimbabwedaily.com- Oct 16, 2019

HOME

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NATIONAL NEWS

‘Govt expands PM's Economic Advisory Council; appoints 3 part-time members

Less than a month after reconstituting the Economic Advisory to the Prime Minister, the centre has added three more part-time members to the advisory body – Neelkanth Mishra, Nilesh Shah and Anantha Nageswaran.

Mishra is the India Equity Strategist for Credit Suisse, Shah is the Managing Director of Kotak Mahindra Asset Management, and Nageswaran is the Dean of IFMR Graduate School of Business. Since they are part-time members, they may not have to take leave from their current posts.

The new appointments were announced through a notification by the Cabinet Secretariat on Wednesday.

Late last month, the centre had reconstituted the EAC-PM for a period of another two years. Rathin Roy from the National Institute of Public Finance and Policy and Shamika Ravi of Brookings Institution were dropped as part-time members. Sajjid Chenoy, India economist at JP Morgan was the new part-time member announced at that time.

Part-time member Ashima Goyal of Indira Gandhi Institute of Development Research and full-time members Bibek Debroy of NITI Aayog and Ratan Watal are continuing to be part of the EAC-PM. Debroy retains his role as chairman of the EAC-PM, while former Finance Secretary Watal will continue being the member-secretary.

After the latest additions, the strength of the EAC-PM has gone up to seven, with two full-time members and five part-time members, from five full-and part-time members total in the body’s earlier term.

The EAC-PM was revived in September 2017 with a term of two years. It replaced the erstwhile PMEAC which was headed by former Reserve Bank of India governor C Rangarajan during the terms of former Prime Minister Manmohan Singh

The council was tasked with analyzing any issue, economic or otherwise, referred to it by the PM, according to its terms of reference. The body could also take up the issues suo motu. It has submitted around three-four papers to the Prime Minister's office, on issues like employment, fiscal situation, economic growth, manufacturing and infrastructure. None of its work has been made public.

Its latest work, still ongoing, is a task force on employment, it has submitted a brief to the PMO on what to do to alleviate growth slowdown, and hence create jobs. A more detailed report is expected to be submitted on the same.

Source: business-standard.com- Oct 17, 2019

HOME

****

New industrial policy not to replicate state models

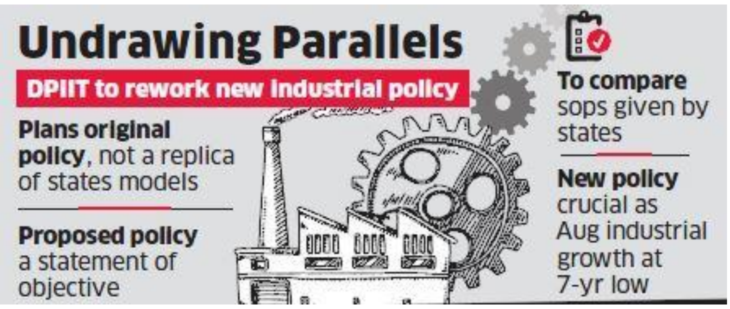
The government has begun work on redrafting the proposed national industrial policy, keen to offer benefits in addition to what states provide.

"We don't want to replicate the state models but we have decided to engage in wider consultations," said a senior official aware of the plans.

The government has already constituted a working group to prepare the contours of the new industrial policy to make India a manufacturing hub.

The working group, comprising members from seven state governments, the Centre and domestic industry, will consult stakeholders, identify pain points of industry and develop actionable solutions for short and medium term and also delineate the role for the private sector in achieving the national targets.

The move comes even as India's industrial production shrank 1.1% in August, the worst performance in almost seven years, reflecting a slump in demand and highlighting the challenge faced by the government in reversing the economic slowdown.



The Department for Promotion of Industry and Internal Trade (DPIIT) had proposed the new industrial policy last year, with an aim to create jobs for the next two decades and attract $100 billion foreign direct investment annually.

Officials said the existing draft prepared by the DPIIT was more a statement of objectives, and it required rework after comparing with states' industrial policies and the kind of subsidies and incentives they offer.

This will be the third industrial policy, after the first in 1956 and next in 1991. Stay on top of business news with The Economic Times App. Download it Now!

Source: economictimes.indiatimes.com Oct 17, 2019

HOME

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Important for India to keep fiscal deficit in check: Gita Gopinath

It is important for India to keep fiscal deficit in check, even though its revenue projections look optimistic, Chief Economist of the International Monetary Fund (IMF) Gita Gopinath has said.

As against India's real growth rate of 6.8 per cent in 2018, the IMF in its latest World Economic Outlook, released on Tuesday, projected the country's growth rate at 6.1 per cent in 2019 and noted that the Indian economy is expected to pick up at 7 per cent in 2020.

In India's case, there has been a negative impact on growth that has come from financial vulnerabilities and the nonbank financial sector, and the impact on consumer borrowing and borrowing of small and medium enterprises, Gopinath said.

The prominent Indian-American economist was speaking to reporters ahead of the annual meeting of the IMF and the World Bank.

On the projections in the World Economic Outlook report, Gopinath said appropriate steps have been taken.

Appreciative of the recent steps being taken by Finance Minister Nirmala Sitharaman to address the economic challenges being faced by India, she said there is still a lot more that needs to be done.

Prominent among these include cleaning up of balance sheets of regular commercial banks, Gopinath said.

“In our projections we have that India will recover to 7 per cent growth in 2020. And the premise is that these particular bottlenecks will clear up,” she said.

On the fiscal side for India, there have been some recent measures, including the corporate tax cut. There has not been an announcement about how that will be offset to revenues at this point, Gopinath said.

“It looks optimistic, the revenue projections going forward. But it is important for India to keep the fiscal deficit in check,” she said.

Responding to a question, Deputy Director in the IMF Research Department Gian Maria Milesi-Ferretti said the overall growth remains very strong in India by the standards of the world economy.

Even though it's lower than the very high standards at which the world was accustomed to looking at India, he said.

“India's growth rate above 6 per cent is still notable and extremely important in a country that has such a large population. We have a forecast for further pick up the next year, also helped by tax cuts on the corporate trunk,” Milesi-Ferretti said.

At the same time, there are many macroeconomic challenges the deputy director said as he emphasized the need to keep fiscal deficit under control.

“Of course, India and Pakistan are not immune to global geopolitical tensions and to trade tensions that can take a toll on their manufacturing activity and demand for their exports,” said the IMF official when asked about the economic impact of India- Pakistan tensions.

Source: economictimes.indiatimes.com- Oct 16, 2019

HOME

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Karnataka ranked as India's most innovative state, says Niti Aayog

The index is based on seven pillars, which include five enablers and two performance indicators

NITI Aayog released the first India Innovation Index on the lines of the Global Innovation Index on Thursday. Karnataka, Tamil Nadu, Maharashtra, and Telangana have topped the chart. States were ranked on parameters such as innovation capability, challenges and opportunities, and actions needed to be implemented for promoting innovation.

The index is based on seven pillars, which include five enablers and two performance indicators, some of which include human capital, investment, knowledge workers, and knowledge output.

Performance gallery

Top-ranked states	Bottom-ranked states in ascending order (lowest first)
Karnataka, Tamil Nadu, Maharashtra, Telangana	Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh
Top-ranked UTs	**Bottom-ranked UTs**
Delhi, Chandigarh, Goa	Daman & Diu, Dadra & Nagar Haveli, Lakshadweep

Source: business-standard.com- Oct 17, 2019

HOME

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Khadi may soon open its maiden foreign venture beginning with Bhutan

On the 150th birth anniversary of Mahatma Gandhi, the Embassy of India, Thimphu and the Royal Textile Academy, Thimphu together with the support of the Ministry of Micro, Small & Medium Enterprises, Government of India, the Khadi and Village Industries Commission and the Fashion Design Council of India (FDCI) curated on 16 October at the Royal Textile Academy, Thimphu, a special event, Khadi-Thagzo, jointly celebrating the textile heritage of Khadi and traditional Bhutanese fabric.

A total of 48 ensembles featuring leading designers from India and Bhutan were showcased on this occasion, fusing Khadi with Thagzo hand-made textile of Bhutan to create innovative garment lines. From India, the event displayed the works of Anamika Khanna, Rajesh Pratap Singh and Samant Chauhan. From Bhutan, the talent of Chadrika Tamang, Kencho Wangmo, Tshering Choden & Sangay Choden was on display. In addition, six Indian designers (Anjana Bhargav, Nitin Bal Chauhan, Paras Gairoliya, Payal

Jain, Rahul Mishra & Renu Tandon) created a special Khadi ensemble each, which too were spotlighted at the event.

The event had, as as objective, to encourage traditional textiles and weaving, both a forte of India and Bhutan, and to foster a collaboration between the traditional textile artisans and designers from both countries, further cementing the close & friendly ties between India & Bhutan. To this end, the four Bhutanese textile designers who showcased their work at the Khadi-Thagzo Textile Presentation, had visited Lotus India Fashion Week from 10-12 October 2019, on invitation from FDCI Chairman Sunil Sethi. In follow up to the event, it is proposed to retail Khadi in Thimphu, bringing this heritage fabric of India to Bhutan.

The Khadi-Thagzo Presentation was witnessed by a high-profile audience including Her Majesty the Queen Mother Ashi Sangay Choden Wangchuck as the Chief Guest, Shri Vinai Kumar Saxena, KVIC Chairman as the Guest of Honour, Prime Minister of Bhutan Dr. Lotay Tshering, Cabinet Ministers, Ambassadors, members of the media and several other distinguished guests.

Source: economictimes.com- Oct 18, 2019

HOME

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Fall in raw cotton rates: Why CCI entry has failed to cheer farmers in Punjab

When the rate is above the MSP, the CCI is not supposed to entre the market, but when crop rate comes below the MSP, then it becomes mandatory for CCI to enter the market to support farmers by purchasing kapas at the MSP.

With raw cotton rates falling below MSP over the past few weeks after an excellent beginning when the going market rate was much higher than the MSP benchmark, the Cotton Corporation of India (CCI) has entered the North region market, mainly Punjab, Rajasthan and Haryana, to purchase the narma or kapas (raw cotton) directly from the farmers. The Indian Express explains why the CCI's entry won't help the farmers much.

Why has the CCI entered the market?

The government has fixed Rs 5450 per quintal as kapas MSP. In the beginning, when the first picking of the cotton started over a month back in Punjab, the rate was quite above the MSP and farmers have had sold it at the rate of Rs 5600 to above Rs 6100 per quintal. But for the past over two weeks, the rates started coming down and currently the rate is between Rs 4800 to Rs 5,000 per quintal which is Rs 400 to 600 per quintal below the MSP in all the main mandies of Punjab including Bathinda, Abohar, Fazilka, Mansa, Mukatsar among others.

When the rate is above the MSP, the CCI is not supposed to entre the market, but when crop rate comes below the MSP, then it becomes mandatory for CCI to enter the market to support farmers by purchasing kapas at the MSP.

Also, this time farmers, who were against CCI's entry last year when the rate was good and had sold their crop through arhtiyas (commission agents), too want that the CCI should purchase it from them directly.

Why have rates fallen in the mandies?

There is less demand from the spinning industry due to downward trend in the export of yarn from India for the past several months. Also India's export of lint to the Pakistan got suspended recently.

"This year the cotton production in Pakistan was quite less against India's bumper crop and the demand would have been much as Pakistan is importing around 1.25 lakh bales weekly from USA while India is getting 70,000 bales per day in the market currently which would go up to 1.5 lakh and 2 lakh bales daily in November and December, respectively," said a cotton expert Sanjiv Dutt, Vice Prsident of Winsome Textile.

He said that this time, India is expecting to produce 3.96 crore bails this season against 3.25 crore bales last season. The total consumption of Indian units is 2.80 crore to 3 crore bails and remaining are exported to Bangladesh, Vietnam, China, Indonesia, Pakistan. Also around 50 per cent of the Indian manufactured yarn is exported.

How can entry of the CCI help farmers?

According to the norms, the CCI is supposed to purchase the cotton at the MSP rate. But as per the parameters of the crop, CCI can purchase kapas with the moisture level between 8 per cent to 12 per cent only. For 8 per cent moisture level, CCI would pay full MSP (Rs 5450 per quintal).

If the moisture level is higher and then there would be a cut of 1 per cent each with the increase of each per cent moisture level. For instance, if the moisture level is 9, 10, 11 and 12, then the rate of the crop would be Rs 5395 (with a cut 55 per quintal which is one percent of the MSP), Rs 5341, Rs 5288 and Rs. 5232 per quintal, respectively.

With such parameters CCI's purchase would stand Between Rs 5238 to 5450 per quintal for 8-12 per cent moisture level and there would be only Rs 200 difference per quital even if a farmers' crop has 12 per cent moisture level.

Then how is it that the farmers won't benefit this time?

Against the norms of the CCI, which can purchase kapas with the moisture level between 8-12 per cent, currently 98 per cent kapas, which contains around 33 kg lint and 64 kg seed and one per cent wastage, of first picking of cotton is arriving with the moisture level beyond 12 per cent — mainly with 15-18 per cent moisture level.

There are three pickings of the cotton. The first picking takes place in September-October months when 30 per cent of the total kapas arrives in the market. Second arrival starts in November during which 45 per cent of the total crop arrives and last picking takes place in December when remaining 25 per cent cotton reaches in mandis.

CCI sources said that in first 30 per cent picking, the agency cannot help much because 98 per cent crop part of this first cycle is beyond 12 per cent moisture level and farmers have to sell it to private players like ginners, traders, spinners only. They said that if the moisture comes down in the second picking than they may purchase maximum level of crop. Farmers, however, allege that CCI is avoiding purchase only making baseless excuses of moisture level.

What is the total arrival of cotton in the mandies of Punjab, Haryana and Rajasthan till date?

This year, till date nearly 7 lakh bales (one bale is equal to 177 kg lint) has reached in the mandies of Punjab, Haryana and Rajasthan. As total production of north region is around 58 lakh bales which included 12 to 15 lakh bails in Punjab, 18 lakhs in Rajasthan and 28 lakhs in Haryana.

What is the total purchase of CCI till date in these states?

CCI has purchased 4000 quintal in Punjab (800 bales in Punjab), 2500 quintal in Rajasthan (500 bales) and only 20 quintal in Haryana till Wednesday noon.

Source: indianexpress.com- Oct 18, 2019

HOME

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