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IBTEX No. 119 of 2019 **June 20, 2019**

SD 69.63| EUR 78.44 | GBP 88.32 | JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21866	45700	**83.60**

Domestic Futures Price (Ex. Warehouse Rajkot), June

Rs./Bale	Rs./Candy	USD Cent/lb
21880	45729	**83.65**

International Futures Price

NY ICE USD Cents/lb (December 2019)	67.16
ZCE Cotton: Yuan/MT (September 2019)	13,780
ZCE Cotton: USD Cents/lb	90.54
Cotlook A Index – Physical	**77.5**

Cotton Guide: The International contracts were seen to be on a constant rise with ICE December showing gains of +34 points to settle at 67.16 cents/lb. The trading range for ICE December was between 67.36 and 66.32. While we write this report at 8 am we can notice the price to hover around 67 cents.

However, the disappointments were seen with lower volumes which were around 29,723 contracts. Higher volumes along with the open interest help predict a trend. The ICE December contract is seen to have volume figures of 17,907 contracts lower than the previous figure of 30,569 contracts. Weather concerns are still the driving factor behind these constant gains.

The MCX contracts on the other hand, were not very volatile yesterday. However, they ended slightly lower. The MCX June contract settled at 21,880 Rs/bale with a change of -10 Rs. The MCX July and the MCX August contract settled at 21890 and 21900 Rs/Bale with changes of -70 Rs for both the contracts. Volumes were seen at 3644 lots.

The cotlook Index A was adjusted to 77.50 cents/lb i.e. a positive gain was seen with figures of +0.50, whereas the forward cotlook Index A was seen at 76.90 cents/lb with a positive gain of 0.40 cents/lb. The Prices of Shankar 6 are firm and are not showing any kind of volatility at the moment at 45,700 Rs/Candy.

For today, due to weather concerns, we keep our stance positive, for both the international and the domestic markets. On the other hand, the release of the export sales data today may push the markets downward after 6 pm IST as we expect the data to show reduced figures.

The important news coming in the domestic market are the estimates by the Cotton Advisory Board (CAB). For the cotton marketing year 2018/2019 the production figure is estimated to be around 337 lakh bales. However we feel that the real production figure hovers around 305 – 310 lakh bales.

Cotton Balance Sheet for the cotton season 2017-18 and 2018-19 as drawn by CAB as on 18.06.2019

Particulars	2017-18		2018-19 (P)	
	(In lakh bales of 170 kg. Each)	(in Thousand Tons)	(In lakh bales of 170 kg. Each)	(in Thousand Tons)
SUPPLY				
Opening Stock	43.76	743.92	42.91	729.47
Crop	370	6290	337	5729
Import	15.8	268.6	22	374
TOTAL SUPPLY	429.56	7302.52	401.91	6832.47
DEMAND				
Mill Consumption	280.11	4761.87	274.5	4666.5
S.S.I Consumption	26.18	445.06	25	425
Non Textile Consumption	12.77	217.09	12	204
Export	67.59	1149.03	50	850
TOTAL DEMAND	386.65	6573.05	361.5	6145.5
Closing Stock.	42.91	729.47	40.41	686.97

P – Provisional

Till June end, we presume the domestic spot prices would not show drastic volatility (barring any ramifications from the geopolitical tensions) and would remain firm or would tilt towards the positive end. On the other hand when the monsoons are in full swing, we can experience some kind of price drop as and when the ginners start offloading their currently held stock.

On the Technical Front (ICE December), ICE Cotton is trading within a downward sloping channel, also having higher high's & higher low's formation, implying the bullish momentum for the price. Cotton price have witnessed bullish engulfing at the support of 64.70 & with 5 EMA (66.85) moving above the 9 EMA (66.67) which supports the bullish case. However, the immediate resistances for the price is at 67.80-68, coinciding with higher end of the channel & 23.6% Fibonacci retracement level. Momentum indicator RSI is at 47 suggesting sideways to positive bias for the coming sessions. For the today's session we expect the prices to trade within a range of 68-66.50. However, a close above the channel could bring bullish bias for the price. In the Domestic market MCX Cotton June may trade in the range of 21600-22180.

The USDINR was jittery after the FED held the interest rates as the same. However, they have signaled a dovish outlook. The USDINR thus closed at 69.68.

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

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INTERNATIONAL NEWS

USA: Prices Rally from New Low, No Push Higher in Sight

New crop December futures have rallied from the recent new low below 65 cents. December is currently at 66+ and likely to track in the 65 to 68-69 cents range in the near term unless a major unforeseen factor arises.

Prices previously had support at 66 cents and had rallied back to over 68 cents before losing ground and eventually moving below 65 cents last week.

There are many production uncertainties as we look ahead:

- The first USDA estimate of actual acres planted will be published on June 29. Given all the rain and delayed planting in the Mid-South and the drought in the Southeast, will the June number capture the extent of prevented planting acres and shift to other crops?
- The Southeast has finally received much needed rainfall. Has this rescued that portion of the crop that was at risk and will conditions continue more favorable for the remainder of the season?
- Texas is an even bigger than normal wildcard. There are late plantings, prevented planting acres, acres switched to other crops, etc. – a mix of everything.

USDA released its June crop production and supply/demand estimates on June 11, and I consider the numbers neutral to bearish. A quick summary includes:

- U.S. production for 2019 is unchanged from the May estimate at 22 million bales. This will very likely change with next month's report. Higher or lower is the big question.
- Projected U.S. exports for the 2019 crop marketing year remain at 17 million bales. This compares to 14.75 million bales projected for the 2018 marketing year.
- World beginning stocks for the 2019 crop year were increased due to supply and demand revisions for 2018.
- 2019 world production was lowered slightly
- World use was lowered 660,000 bales – 500,000 of that for China
- Chinese imports for the 2019 crop year were lowered 500,000 bales

- Imports for Vietnam and Bangladesh were lowered 100,000 bales for each

It seems to me that the current market (December 2019 futures in the mid-60s neighborhood) is based on a rather optimistic combination of scenarios for the degree of uncertainty out there.

But, I've been wrong before. In addition to uncertainties about the U.S. crop, the USDA projection of 17 million in exports is a question mark given the on-going U.S.-China trade situation. Use must also stay strong.

U.S. cotton export sales and shipments have been good, with shipments as of June 6 totaling 11.5 million bales. To reach USDA's projection of 14.75 million bales for the 2018 marketing year ending July 31, export shipments must average approximately 400,000 bales per week. Shipments for the last four weeks reported have averaged approximately 388,000 bales.

The 2019 crop has gotten off to a rough start for many producers. Prices have tumbled, and the planting and early season has been very challenging. We still wait on a resolution to the U.S.-China trade and tariff situation, but we are starting to get information and some details on disaster assistance (WHIP payments) and trade assistance (MFP payments). We also wait on ratification of the USMCA (US-Mexico-Canada) trade agreement.

All this causes uncertainty in cash flow for farm businesses. Questions still exist on how WHIP disaster assistance payments will be determined. Likewise, there are questions on how MFP payments will be determined (on a per acre amount by county) compared to last year when payments were made on a fixed per unit of production basis.

Source: cottongrower.com- June 18, 2019

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USA: NCTO recommends strong policies, FTAs, improved infrastructure for US textile growth

While NCTO strongly supports the free trade structure established under NAFTA, it also agrees with President Trump's desire to improve the terms of the original agreement. It specifically advocates certain improvements in NAFTA renewal negotiation.

Some of these include: maintaining yarn forward as the fundamental rule-of-origin for the textile sector; eliminating tariff preference levels on apparel and non-apparel products, and fabrics and yarns, using NAFTA-Origin components beyond the essential character of fabric, etc.

Majority of these objectives were accomplished in the agreement reached between the parties late last year underNCTO recommends strong policies FTAs improved infrastructure for US textile the United States-Mexico-Canada Agreement (USMCA). Especially, the basic yarn forward rule was preserved as the origin requirement for duty-free treatment.

In addition, the USMCA represents a demonstrative improvement for US manufacturers of component parts such as thread, pocketing, narrow elastics, and coated fabrics. These items will have stronger origin requirements under the new agreement that will certainly boost sales to North American customers. The USMCA agreement will make it impossible for TSA prime contractors to replace US textile inputs with competitive materials made in Mexico.

New free trade agreements, but not with non-market economies

NCTO is already collaborating with the US government to negotiate new free trade agreements with the European Union, the United Kingdom; and Japan.

The organisation believes the government should insist on establishing a strong yarn forward rule of origin, extending duty phase outs for products deemed to be sensitive and inclusion of effective and separate customs textile enforcement language.

NCTO also ensures that textiles is designated a Priority Trade Issue by Congress as textile and apparel shipments comprise more than 40 per cent of all duties collected by Customs and Border Protection (CBP). In 2019, it will reengage itself in the Miscellaneous Tariff Bill process. Further, it will oppose the inclusion of finished products, noting that they distort the intended premise of providing duty relief on inputs that undergo further processing by US manufacturers."

NCTO is also monitoring proposed initiatives designed to undercut the US tariff structure proposals such as duty relief under the Generalised System of Preferences for apparel; expanding the use of Section 321 De Minimis duty breaks for importers; and eliminating US duties on high-performance outerwear.

Improving infrastructure for textile products

Besides boosting productivity and facilitating commerce, NCTO is also focusing on improving the infrastructure for textile products such as workwear, geosynthetics, and filtration systems. The organisation is urging for support its Defence Department-funded programme - the Advanced Functional Fabrics of America (AFFOA). This programme aims to make the development and commercialization of the high-performance textiles easier.

Increased automation and recruiting new talents

NCTO also advises the US government to improve the automation for garment assembly. Another of its priority is to ensure uninterrupted access to reasonably priced energy. The organisation also supports the construction of expanded oil and gas pipeline capacity to keep energy prices low.

Finally, NCTO recommends making recruitment of new talent a top priority. It also advises companies to forge links with local and state leaders, and educators to ensure that the government policies nurture an adequate labor pool to succeed in a competitive global economy.

Source: fashionatingworld.com- June 19, 2019

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Millions of Locusts From Iran Have Invaded Pakistan's Cotton

A massive swarm of locusts has migrated from Iran to Pakistan, raising fears that an attack on the country's prized cotton crop could be imminent.

Millions of insects have recently invaded Sindh, Pakistan's second-largest cotton producing province, according to the Ministry of National Food Security and Research.

Prime Minister Imran Khan's government has deployed aircraft and spray-mounted vehicles to treat about 10,000 acres in the southern province as a preventative measure. "The insects have not hit our crops so far, fortunately," Muhammad Hashim Popalzai, a federal secretary at the food security ministry, said on the phone from Islamabad.

Pakistan is desperate to prevent further decline in its cotton industry as it seeks to shore up its economy after securing a bailout package from the International Monetary Fund last month. The country's textile industry is its biggest job provider as well as its largest foreign exchange earner.

Pakistan mainly depends on home-grown cotton for its textile industry. Output in the year to June is forecast to fall about 18 percent to 9.86 million bales, the lowest in at least 17 years, according to official data.

The migration

Initially from the Arabian Peninsula, the desert locusts swarmed from the Red Sea coast of Sudan and Eritria in January, hit Saudi Arabia and Iran in February, and southwestern Pakistan in March, the ministry said.

The authorities have already treated some areas in insurgency-hit southwest Balochistan province, which has a relatively small cotton crop, said Falak Naz, a director general of crop protection at the ministry.

The bigger concern is for Sindh and Punjab provinces, the country's top cotton growing areas. Falak said the insects were feeding on wild bushes in Nara desert, about 20 kilometers away from the cotton crop in Sindh.

"We expect it will not damage the crop and we will be able to restrict it there," said Popalzai.

Source: sourcingjournal.com- June 19, 2019

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China-Africa expo to boost economic and trade ties

The United Nations Economic Commission for Africa (UNECA) on Wednesday hailed the launch of the China-Africa Economic and Trade Expo as a platform that will further boost trade and economic ties between the two sides.

The inaugural expo is scheduled for June 27-29 in central China's Hunan Province.

The bi-annual expo has been established under the framework of the Forum on China-Africa Cooperation as a new mechanism for economic and trade cooperation between China and African countries.

UNECA Southern Africa Office director Said Adejumobi told Xinhua in an interview that the expo will provide African countries with an opportunity to explore trade and economic opportunities in the vast Chinese market.

"It's an opportunity to expose the goods and services. It's an opportunity to broker networks, form partnerships and to really be able to learn lessons from the Chinese experiment," Adejumobi said.

"China is perhaps the only country that has had the fastest transformation in the world. In less than 50 years, China's economy was dramatically transformed and I think African businesses going for the expo will be able to gain from the exposure, the interaction and the partnerships."

He said the success story and dramatic transformation of China's tech giant, Alibaba, which now controls close to 40 percent of global online consumer shopping, should inspire many African participants at the expo.

Adejumobi said the launch of the expo, which coincides with the coming into force of the African Continental Free Trade Area (AfCFTA), will add further impetus to trade promotion and growth between the two sides.

"I think the AfCFTA provides a good opportunity for Africa to relate with China from a relative position of strength and a position in which China itself can also explore ways to support the AfCFTA," he said.

However, the two sides should also discuss and address concerns from African businesses of unfair competition from cheap Chinese goods, he said.

He said Africa should also clamor for more Chinese investment in the manufacturing sector, especially the textile industry.

"We should be able to see if it's possible for China to produce from Africa, whether it is possible for China to support Africa in terms of skills and entrepreneurship development, research and development and in terms of technology transfer in infrastructure development rather than China having to do it for Africa."

The UNECA official said China should encourage Africa to search for technology from all over the world to independently build its economies, rather than having China itself implementing the technology in Africa.

"What China did for its own transformation was to learn by doing, and not by others doing it for her. China was able to search for technology from all over the world to do what it needed to do and I think the same approach is what China should encourage Africa to do," Adejumobi said.

He said it is in the best interest of China for Africa to develop, noting that Africa's development will ensure that China has a good partner to work with.

"Raising the standard of living in Africa is in the interest of China because African people will have more disposable income to buy goods and services. So it's a win-win situation for China and a win-win position for Africa."

It is therefore prudent, according to Adejumobi, for Africa to engage with China in a way that will be transformative for the continent.

He noted that Africa has benefited from its relationship with China when it is able to assuage the recent economic crisis because it has diversified its trade with China.

"In the long-run, the game changer will be how China works with Africa to transform African economies. Technology transfer and support to SMEs are critical areas that China will have to work hand in hand with Africa for Africa to move to the next stage," Adejumobi said.

Source: china.org.cn - June 20, 2019

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Vietnam cotton imports in May 2019 increase by 2 per cent

Vietnam's cotton imports in May 2019 increased by 2.8 per cent month on month. The country's cotton imports, from January to May 2019, had declined by 2 per cent year on year.

The major cotton supplier for Vietnam was the US. Cotton imports from the US hit a new high in the recent four years. In January to May, Vietnam's imports of US cotton increased by 18.01 per cent from the same period of last year.

Its imports of Indian cotton declined by 43.12 per cent. Cotton imports from Brazil also declined by 23.97 per cent while those from Australia increased by 54.75 per cent. Vietnam's cotton imports from the US may remain large in July.

Vietnam's domestic production of cotton crop meets only one per cent of domestic demand. The country needs over 5,00,000 tons of cotton to satisfy the needs of its garment and textile manufacturers.

Vietnam's apparel industry is growing rapidly. With an export grow rate of 20 per cent each year, Vietnam is expected to generate a turnover of 40 billion dollars in 2020.

Source: fashionatingworld.com- June 19, 2019

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Bangladesh: Textile millers demand VAT exemption on local sales

Textile millers yesterday demanded the government exempt them from 5 percent value-added tax on the sales of yarn in the local market with a view to becoming more competitive.

Export-oriented yarn producers are exempted from payment of VAT. But, the finance minister has proposed to impose 5 percent VAT on the sale of yarn in the local market in the budget unveiled last week.

Yarn-makers who cater to the local market will have to pay Tk 24 as VAT on the sale of a kilogramme of yarn if the fiscal measure remains unchanged.

“Because of the VAT, the mills will face tough competition from their competitors in countries such as China and India,” said Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association (BTMA).

“As a result, yarn users will not feel encouraged to buy the local variety and the yarn market will again be dominated by foreign yarn.”

He spoke at a press conference on the proposed budget at the Pan Pacific Sonargaon Hotel in Dhaka. Khokon also says local mills would face closure and the price of clothing items, especially lungi and sari, will go up in the domestic markets, putting consumers under pressure.

The association urged the government to continue the 0.25 percent source tax on the export receipts. The tax is expected to expire at the end of June.

It called for withdrawal of the 5 percent advance tax on the import of textile machinery, spare parts and other raw materials.

Polyester, viscose and tencile, the most important raw materials, have been importing tax-free for the last five years. Still, the customs department is deducting the advance tax which is unjustified, Khokon said.

“A big opportunity has been created for us owing to the US-China trade war. The government needs to give us export incentive in the US markets so that we can export more to the country.”

Source: thedailystar.net- June 20, 2019

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Bangladesh, Russia sign MoU to remove trade barriers

A bright market worth of 50 Billion US$ is about to be launched in Russia for Bangladesh's RMG Sector

On the 31th of May, 2019, Commerce Minister of Bangladesh, Mr. Tipu Munshi signed an MoU with Russia in order to open business opportunities for Bangladesh's apparel sector.

This 'Memorandum of co-operation between the EURO-Asia economic commission and the government of the people's republic of Bangladesh' will now allow banking transactions between the two countries which will enable to reduce difficulties related to trade and commerce.

By signing this agreement, a long term demand of export for RMG sector is going to be fulfilled. Bangladesh exported textile products to Russia by paying huge amount of tax which costs almost 75-80% of the price of the products. In accordance of the Export Promotion Bureau(EPB) data, Bangladesh exported goods worth $485.22 million to Russia in the FY2017-18 which is $20.56 million more than the earning $464.62 million in FY2016-17.

Currently there is no banking transaction system between Russia and Bangladesh. Trade is done through Telegraphic Transfer(TT). Besides this, due to a lot of other obstructions, Bangladesh was unable to make proper utilisation of this bright market.

By establishing this agreement with Russia, all these hindrances are going to be removed. As a result, a tremendous market worth of 50 Billion US dollars would be opened for Bangladesh and a lot of problems regarding the RMG sector will be solved.

Commerce minister Mr. Tipu Munshi stated, "Bangladesh has always been maintaining a good relation with Russia in terms of trade and commerce. Unfortunately, the mutual trade and transactions did not increase as per expectations due to some complexities.

The MoU will open a new pathway of business for Bangladesh in Russian markets." He also added that Bangladesh is building large factories with safe working environment focusing on compliances and sustainability.

The Russian Ambassador to Bangladesh, Alexander Ignatov stated, "Russia has always been a friend of Bangladesh. There are huge demands of Bangladeshi products in Russian markets. By signing this MOU, we are hoping that the economic relationship between Russia and Bangladesh will reach a whole new level."

If Bangladesh is able to grab the Russian market, it will become easier for Bangladesh to enter the markets of other countries of the Commonwealth of Independent State.

Source: textiletoday.com.bd- June 19, 2019

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Vietnam: Expanding export market of textile and garment sector

Vietnam's textile and garment sector posted a total export revenue of US$11.43 billion in the first four months of this year, a year-on-year increase off 9.56%; however textile and apparel products were exported mainly to traditional markets.

In order to take full advantage of any opportunities, particularly from member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), enterprises should take initiatives in preparing sources of raw materials as well as improve their competitiveness to develop new potential markets.

Taking initiatives in preparing sources

According to Chairman of the Board of Directors of Hung Yen Garment Corporation (Hugaco) Nguyen Xuan Duong, the corporation's member companies have had stable orders and actively expanded production to strive to earn VND550 billion in total revenue and VND65 billion in profit before tax.

The company also continued to expand several new markets, towards original design manufacturing (ODM) and original brand manufacturing (OBM) models in order to increase the products' values and improve the competitiveness.

General Director of Phong Phu Joint Stock Company Pham Xuan Trinh also affirmed that to boost the efficiency of production and business activities in time to come, the corporation has innovate modern technology and equipment, proceeding to automate each stage, following the trend of the industrial revolution 4.0.

According to statistics of the Vietnam Textile and Apparel Association (VITAS), the total export turnover of the sector reached US$11.43 billion in the first four months of this year, a year-on-year increase of 9.56%. The US remained the largest importer of Vietnamese garments and textiles, accounting for 39.6% of total export turnover, followed by CPTPP members (over 17%), EU (nearly 13%) and the Republic of Korea (nearly 10%). Despite the positive results, Vietnam's textile and apparel products have been exported mainly to traditional markets, but not strongly promoted in new markets, particularly CPTCPP member countries.

Executive Director of Vietnam Textile and Garment Group (Vinatex) Cao Huu Hieu said that after four months of CPTPP taking effect, the country's textile and garment exports to internal markets have not shown any signs of growth. Currently, CPTPP is valid for seven of the 11 member countries including Japan, Singapore, Canada, Mexico, Australia, New Zealand and Vietnam. In 2018, the export revenue of Vietnamese textile and apparel products to these countries reached around US$5.3 billion, including US$4 billion from Japan.

Taking full advantage of opportunities

Among CPTPP member countries, Canada and Australia are ideal markets for the Vietnamese textile and garment sector to boost its exports in the near future. In addition, Vietnamese enterprises are looking forward the EU-Vietnam Free Trade Agreement (EVFTA) that is expected to take effect this year. If it goes smoothly, Vietnam's total export turnover to the EU market will increase by around US$16 billion.

One of the difficulties that the Vietnamese textile and garment sector is facing is its dependence on raw and auxiliary imported materials. Meanwhile, in order to take full advantage of any opportunities, enterprises should take initiatives in preparing domestic and intra-regional materials in order to meet the requirements, particularly from new generation FTAs such as CPTPP and EVFTA.

Vinatex's Executive Director Cao Huu Hieu said that in order to enjoy tax incentives from CPTPP, Vietnamese textile and apparel products must meet the strict yarn-forward rule, meaning they must be produced in Vietnam and other CPTPP countries from yarn forward. However, internal countries meet only 7% of Vietnam's demand for imported yarns and fabrics.

In fact, it would be nearly impossible for Vietnamese textile and garment enterprises to meet the rules of origin. To make the best use of advantages from CPTPP and reduce import tax rates from 18% to 30% in some new markets that have not signed any FTAs, such as Canada, Mexico and Peru, they should promote investment in the yarn-forward chain with an appropriate roadmap and steps.

Businesses should also flexibly grasp some exceptions on the rules of origin. On the other hand, they should pay much attention to trade promotion and directly work with customers to avoid unnecessary intermediate costs. Moreover, enterprises need to promote the joint ventures and links to invest in chains. It is crucial to build centres to supply raw materials for textile and garment enterprises in all regions and areas.

The export results of the textile and garment sector in recent time has shown that without the preparation of the suitable equipment, the skill level of workers,, the management methods and the initiatives in raw and auxiliary materials, opportunities from the CPTPP will turn into challenges.

Therefore, businesses must pay attention to meeting the standards of foreign markets. Meanwhile, state management agencies should have policies to support enterprises as well as practical measures to remove barriers for administrative reforms and improving their business environment.

Source: en.nhandan.org.vn - June 19, 2019

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Pakistan: Textile exporters want to pay 7.5pc sales tax

Textile exporters have suggested paying 7.5 per cent sales tax instead of 17 per cent, and warned if 17 per cent sales tax is imposed on the textile sector, it would block their Rs 500 billion refund capital inside the market that would cause a surge in unemployment and sharp drop in exports.

This suggestion was presented to Prime Minister's Advisor on Textile Sector Razzaq Dawood and State Minister for Revenue Hammad Azhar by Textile Exporters Association of Pakistan Chairman Khurram Mukhtar during a meeting on Wednesday. The representatives of the Pakistan Hosiery Manufacturers Association, All Pakistan Textile Processing Mills Association, All Pakistan Bed Sheets and Upholstery Manufacturers Association and Power Looms Association were present.

Khurram Mukhtar told the ministers if the government wanted to generate 80 billion rupees sales tax on textiles, it should impose tax on at least 100 large traders and middlemen who are not registered in the FBR despite that they purchase yarn and cloth, stitch it on contract and sell garments worth billions of rupees in the local market.

He demanded that the exporters should be exempted from sales tax on electricity and gas and the state bank should be allowed to make 'direct refund' under an automatic system. He demanded that exporters should be paid 95 per cent refund as soon as the shipments are made, while the remaining five per cent should be paid after completion of audit.

The ministers and the government side termed certain suggestion practicable but the negotiations would continue on Thursday (today) on the remaining suggestions.

Source: dawn.com- June 19, 2019

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NATIONAL NEWS

Tax body seeks extension of time to file GST returns by four months

Tax and legal consultants on Wednesday complained about the time-limit of three months given to file the GST returns for 2017-18 as hundreds of amendments, notifications and circulars have made the Act very complex.

Officials of the Tax Bar Association, a body of over 400 members of chartered accountants, company secretaries, cost advocates and tax consultants, said that the government has made the entire GST procedure and filing of returns very "confusing with hundreds of changes in the rules and taxes".

"The government made available GST annual returns 9, 9A and 9C for 2017-18 online in March, 2019 and offline in April, 2019, after nearly 20 months and they are giving only three months to understand and file the most complex return form in the history of Indian taxation," Tax Bar Association (TBA) President Gopal Singhania said at a press conference here.

To add to this, the tax payers and consultants are also required to keep in mind the hundreds of amendments and clarifications issued by the government since inception of GST in July, 2017.

Several amendments

"To illustrate the intensity, it may be noted that besides major amendment in the GST Act in February 2019, over 200 tax notifications, including amendments in rules, about 180 tax rate notifications, over 100 circulars, 20 orders, over 125 press releases and over 50 FAQ series and flyers have been issued till the date," Singhania said.

Further, the press releases and clarifications on certain points "lack clarity" and at some places, these are "against the GST laws" and need reconsideration, while some clarifications have "even increased the confusion" already prevailing in the minds of tax payers, tax consultants and auditors, he added.

Singhania suggested that a one-time revision of monthly or quarterly returns is crucial need for proper filing of annual return and the due date of filing of GSTR 9, 9A and 9C for 2017-18 and 2018-19 should be notified to be kept together, so that a total reconciliation can be done for both the years.

“This will help in better compliance and reporting, especially the SMEs that have been struggling with increased accounting needs after the GST. Alternatively, the due date for filing GSTR-9, 9A and GSTR-9C for the year 2017-18 should be extended by at least four months till October 31, 2019,” he urged, adding the problems should be resolved with clear instructions in line with the prescribed law.

Source: thehindubusinessline.com - June 19, 2019

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Varying cotton crop numbers put traders in a tizzy

Distortion confusing the market and negatively impacting prices, say insiders

The latest cotton crop estimate put out by the Cotton Advisory Board (CAB) has perplexed the industry, as it is in sharp variance with the forecast of other bodies.

The CAB has put the provisional crop size at 337 lakh bales (of 170 kg each) for the 2018-19 season, which is 22 lakh and 61 lakh higher than the estimates of the Cotton Association of India (CAI) and the Union Agriculture Ministry, respectively.

Industry insiders claimed that the distortion in the crop numbers is confusing the market and influencing the prices contradictory to the ground reality. In its Third Advance Estimates for cotton crop for 2018-19 released earlier this month, the Ministry projected total cotton crop at 275.93 lakh bales (lb), way below last year’s output of 365 lb. The CAI’s estimate stands at 315 lb.

In its recent meeting held on Tuesday, the CAB pegged the crop size for 2018-19 at 337 lb. However, so far the cumulative cotton arrivals for the season across the country is reported at about 302 lb.

Drop in arrivals

Considering the CAB's crop estimates, there appears to be an additional 35 lb still lying with the farmers and yet to be brought to the markets.

A source in the trade said, "The fact is that the Agriculture Ministry has admitted the crop to be very small. The arrivals have dropped to hardly 3,500 bales per day, which means we will see roughly one lakh bales of arrivals each month for the next 4-5 months. CAB's crop estimate will mean more cotton will come to market than what we see. The government's own figures are misguiding the market."

CAB had held its second meeting for cotton season 2018-19 on June 18 under the Chairmanship of Textile Commissioner and representatives from Central and State governments, textile industry, cotton trade and ginning and pressing sector. In its first meeting held in November last year, CAB had projected a 361-lb crop.

Downward revisions

However, due to drought conditions and adverse climate, cotton production in the country was revised downwards.

Cotton output in the largest grower Gujarat is revised downwards to 55.39 lb. The crop size is lowered in other major growing States, too, including Maharashtra (71.28 lb), Telangana (40.95 lb), Andhra Pradesh (14.29 lb), Karnataka (13.40 lb), Punjab (12.23 lb), Haryana (20.13 lb) and Rajasthan (20.27 lb).

Raw cotton prices have crossed ₹6,200 a quintal marke at several spot markets in Gujarat, while ginned cotton prices hovered around ₹44,800 a candy (of 356 kg each).

"At such high prices, it is illogical to believe that farmers will continue to hold the stock. As the season approaches the close, we may see further surge in prices unless imports rise more than expected," said a Gujarat-based cotton trader.

The CAB has estimated cotton imports to be around 22 lb, up from 15.8 lb last year. Exports, however, are estimated to drop to about 50 lb against 67.59 lb reported last year.

Source: thehindubusinessline.com - June 19, 2019

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Piyush Goyal says no plan to allow FDI in multi-brand retail

In his first key meeting with senior executives of leading e-commerce and IT companies, including Amazon, Flipkart, Google, Facebook, Microsoft and American Express, commerce and industry minister Piyush Goyal on Monday made it clear that the government didn't have any plan to allow foreign direct investment (FDI) in multi-brand retail at the moment, nor did it wish to permit FDI in the inventory model of e-commerce, sources told FE.

Currently, the government allows up to 100% FDI in the marketplace model of e-commerce and bars e-tailers from owning inventory of goods. Only in the retailing (both online and offline) of locally-produced food products, up to 100% FDI is permitted in the inventory model, that, too, with prior government approval.

In a late-evening meeting with various stakeholders to discuss e-commerce and data localisation policies, chaired by Goyal, several critical issues — such as the impact of "anti-competitive practices" in e-commerce, "predatory pricing and other discriminatory practices" and level-playing field for both domestic and foreign companies — came up for discussion.

While FDI policies on e-commerce strictly bar online market places from offering discounts themselves, offline retailers have often accused e-tailers like Amazon and Flipkart of violating this rule through predatory discounts. The e-tailers, however, claim that they have always complied with the FDI rules.

The US had expressed its concern about frequent changes to India's e-commerce policies and the need for data localisation, which, it felt, were detrimental to the interests of American companies.

Monday's meeting also deliberated on other key issues such as, understanding data flows from four aspects (privacy, security, safety and free choice), ownership and sharing of data, gains and costs of cross-border flow of data and means to monitor use of data.

The draft e-commerce policy, circulated recently, bars the sharing of data with third parties, even with the consent of the customer. Some stakeholders have asked the government to relax the data storage rules to allow a company to share data at least with its group companies. This is because, in the absence of a clear-cut definition of the third party, it will mean an Amazon India won't be able to share data with Amazon Inc for business development or better customer satisfaction. This could potentially limit acquisition and investment opportunities for foreign companies in the Indian start-up space.

Representatives of other companies such as IBM, Dell, SAP, Paypal and VISA also took part in the meeting. The meeting was also attended by minister of state for commerce and industry Som Parkash; secretaries of DPIIT, commerce and MeiTY; RBI deputy governor BP Kanungo and senior officials from the ministries of external affairs.

Source: financialexpress.com - June 18, 2019

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MSME Ministry to organize International SME Convention on June 28-29 in New Delhi

Ministry of Micro, Small and medium Enterprises (MSME) will be organizing the 2nd edition of International SME Convention 2019 from 28-29 June 2019 in the national capital.

The International SME 2019 convention will give a platform for intensive business discussions & interactions on the Indian Market opportunity.

International SME Convention is the foremost International platform for discussing & sharing best practices for enterprise development, facilitating business discussion and encouraging trade partnerships by and between innovative, progressive and sustainable small and medium enterprises, from all over the world.

The last edition held in Delhi in the month of April 2018 had 35 International trade development organizations, 160 entrepreneurs and 27 experts from 39 countries, in the three day event where issues of international best practices on SME development and cooperation, global business opportunities for SMEs & problems faced by women entrepreneurs were among the topics discussed.

Poland, with 15 delegates, had the largest delegation, followed by Uzbekistan with 8 SMEs and Ghana with seven. More than 400 selected SMEs participated and signed 17 agreements with enterprises of UK, Russia, Uzbekistan, Poland, Bhutan, Austria, Czech Republic, Cameroon and Sri Lanka.

These agreements were in 12 sectors covering food processing, agriculture, textiles, defence, ammunition, waste management, dairy products, coal, jewellery, health care and education.

The convention was hosted by the federal MSME) of the Government of India and co-organized by the India SME Forum.

Source: knnindia.co.in - June 19, 2019

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India cannot afford a trade tiff with the US

The US is our largest trading partner and much of our exports are labour-intensive products. Negotiations are the best option

As India readies retaliatory duties on 29 goods of US origin worth $200 million (BusinessLine, June 14) in response to the US imposing tariffs on Indian steel and aluminium products, concerns are emerging whether the country is really ready for a tariff war similar to that between the US and China.

Without doubt, the scale in the two cases (US-China and US-India) is vastly different. China has the economic and political clout to deal with the US; but India is certainly not in that league. While US trade deficit with China runs into a few hundred billion dollars, with India it is minuscule at about $20 billion.

For a year New Delhi kept postponing the decision to impose retaliatory tariffs on imports from the US, raising hopes of a negotiated settlement; but now expectations appear to have come to a nought.

The US has been demanding greater market access for a number of its products, including dairy items, agri-commodities, medical devices, and so on. But India has been dragging its feet, thereby frustrating the attempts of its largest trading partner. The US is now fed up with India and is trying to force a decision on its demands.

Exclusion of India from the Generalised System of Preferences (GSP) scheme should be seen as a beginning of the US' hardening stand. Thankfully, India's reliance on GSP has substantially reduced over the years and the real damage to India should be manageable.

High stakes

Be that as it may, India cannot afford an extended tariff war with the US as the stakes are substantial. It is critical to recognise that a large number of merchandise exports from India to the US are labour intensive. Gem and jewellery, textiles and clothing, as also fish and seafood all carry a huge labour component.

For India, textiles and clothing represent significant export to the US; but we are steadily losing our export competitiveness to other competing origins with lower wages. So, a reduction in these exports or loss of market-share can potentially create job losses in India, exacerbating the already poor jobs growth everyone is talking about.

Another area is services. The American market is crucial for India's IT services export. Any restriction on IT services would further dampen India's already fragile export outlook.

The US is India's largest trading partner and exports to the US have been growing steadily over the last two decades.

A trade friction or tariff war with the US is unlikely to advance India's economic interests. It will not only hurt India's already weak exports but also has the potential to hurt labour-intensive export products.

At the same time, the US may not be satisfied with greater market access for dairy, poultry and agri-products alone. The US is unhappy with India's latest e-commerce and data localisation policies which are seen restrictive. These are seen hurting American business interests, especially for companies such as Walmart and Amazon.

On the other hand, India's concerns over possible predatory pricing and deep discounting by multinational retailers are real too. Such practices are likely to swamp domestic players. With the middle-class expanding rapidly and organised retail in its new avatar as electronic commerce taking hold, India is arguably among the world's largest potential markets.

In a dilemma

The Indian government is riding on the horns of a dilemma. On the one hand it faces economic and political compulsions at home to protect and advance domestic interests and, on the other, accommodate the demands of the country's largest trading partner.

New Delhi must keep in mind the country's long-term interests. Negotiations are the way forward; accommodation, even if partial, would make sense.

At the same time, we cannot have policies that all but shut out foreign investment. We have done little to build genuine global competitiveness for many of the Indian products. It's time we got down to that task seriously.

Source: thehindubusinessline.com- June 19, 2019

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Fabric production plummets due to acute workers shortage

Surat: The production of polyester fabric in the country's largest man-made fabric (MMF) centre has been affected with the power loom, embroidery and textile processing units facing acute shortage of workers for the past few months.

Industry sources said that majority of textile workers, who had gone to their native villages in Uttar Pradesh, Odisha, Bihar and other states to attending marriages, sowing seeds in their fields and casting votes between January to April, are yet to return.

The MMF sector in the city employ about 15 lakh in power loom weaving units, embroidery units and textile processing units. About eight lakh workers are employed in power looms alone.

The production of polyester fabric is pegged at four crore metres per day. Due to the shortage of workers, the production is reduced by almost 1.5 crore metres per day.

President of Pandesara Weavers Association, Ashish Gujarati said, "Fabric production has dipped by almost 30% in the last few months due to the shortage of workers in the weaving units. Many small units in the industrial estates across the city are either closed or operating at less than 60% of their capacity"

According to Gujarati, most of the textile workers moved out from the city between April and May to vote during the Lok Sabha election in the states like Odisha and Bihar.

Rajnish Lilha, who owns 30 embroidery machines in Udhna told TOI, "Against the requirement of 20 workers to run 30 embroidery machines, I have just four at my disposal. My workers went to native places to cast their votes and they are yet to return. About 20 embroidery machines are shut down since April."

On the other hand, the textile processors are also facing shortage of workers and the unit owners are operating at less than 40% of their efficiency.

President of South Gujarat Textile Processors Association (SGTPA), Jitu Vakharia said, “Workers shortage is only adding to our troubles. After implementation of GST, the textile sector is in doldrums.

Also, the 0% most favoured nation policy is hurting the sector as the fabric dumping from other countries has increased. At present, the units are operating four days a week to cut down on production.”

Source: timesofindia.com- June 20, 2019

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India is now among top four global markets for Amazon Fashion

Fashion beats mobiles, electronics to become single largest category for customer acquisitions

Amazon Fashion India has made it to the four largest businesses for Amazon Fashion worldwide, along with the US, Europe and Japan. The milestone has been achieved in five years since Fashion as a category was launched on the Amazon India marketplace, said Arun Sirdeshmukh, Business Head of Amazon Fashion India.

“We exited 2017 as the single largest fashion destination to become the fastest growing online fashion marketplace in the country,” Sirdeshmukh told BusinessLine. “Through 2018 till now — with indicators such as site traffic, business with brands, new customer acquisitions and third party traffic monitoring sources — Amazon Fashion continues to be the single largest fashion destination and the fastest growing online fashion marketplace in the country. We have grown to become one of the top four largest businesses of Amazon Fashion worldwide.”

More importantly, fashion has surpassed mobile phones and electronics to become the single largest category for new customer acquisitions for Amazon. In its upcoming Wardrobe Refresh Sale from June 19 to 23, the e-tailer, which normally does not share numbers, expects to acquire 5 lakh new customers.

The sale will throw open an inventory of 84 million units in over 3 lakh styles from 1,200-plus brands with early access for Prime members. Amazon will also offer specialised sales such as for plus size clothing and premium watches. It has introduced an Alexa search on the app, allowing shoppers to ask about fashion trends and seek style tips. Fashion sales on Amazon are driven largely by apparel and footwear.

Private label push

The e-tailer has beefed up its private label fashion portfolio from 23 last festival season to 55 now, including two new launches last month – Tavasya, an ethnic wear brand for women and Jam & Honey, a kidswear brand.

"We have two parts to our private label strategy. We have six Amazon-owned brands including Symbol, Myx, Arthur Harvey, House & Shields, Tavasya, Jam & Honey. The rest are 'Made for Amazon' brands by third party players, where we help them structure the concept and they do the rest," said Sirdeshmukh.

Diverse, Centrino, Styleville.in, Burwood, Camelio, Fusefit, Aalia, Elaisha, Womanista, AKA Chic, Endeavor and Nayak are some of the 'Made for Amazon' brands. On whether Shoppers Stop, in which Amazon has a 5 per cent stake, had relisted the selection which was removed to comply with the new e-commerce FDI rules, he said that will happen by the month-end.

Asked about the quantum of losses incurred by Amazon since the new rules became effective from February 1, he said: "We were always compliant with the laws of the land, even before that (new FDI rules). We did see a very small, transient impact on the business, but only in February; after that, it was business as usual."

Source: thehindubusinessline.com- June 17, 2019

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Steps afoot to shield Bt cotton crop

Pink bollworm detected in Jind last year; crops damaged in central, southern states

Scientists of the Central Institute for Cotton Research (CICR) have sounded an alert for the possibility of an attack of pink bollworm on Bt cotton in Haryana this year in view of the detection of the worm last year in a village in Jind district.

The cotton scientists have maintained that though there is nothing to be scared of as yet, precaution must be taken to pre-empt the attack of pink bollworm, which caused huge damage to crops in Maharashtra, Andhra Pradesh, Telangana, Karnataka and Madhya Pradesh during the last two years.

The CICR, which conducted a study on the larvae of the pink bollworm detected in Palwan village of Jind district, has concluded that the pest came from central or South India due to transportation of cotton seed from there by cotton ginners and oil extraction units.

"A feedback was received from Palwan (Jind) regarding pink bollworm infestation. The incidence of pink bollworm was mainly confined around cotton ginning-cum-oil extraction unit situated in front of the infested field location. The incidence persisted up to 1 km radius only and after that it became almost negligible.

During interaction with some of the ginning and oil extraction mills owners, it was brought to our notice that to keep the mills in operation round the year and to earn better profit some of the ginners are procuring or purchasing cotton seeds from the central and south Indian states, especially Gujarat, Andhra Pradesh and Telangana," said Dr Dilip Monga, head of the Northern CICR regional station at Sirsa.

The CICR scientists collected the surviving larvae from Palwan village and sent them to Nagpur for testing which confirmed that these were akin to the pink bollworm larvae found in the central and South India.

"We have alerted Chaudhary Charan Singh Haryana Agriculture University, Agriculture and Farmers' Welfare Department, Haryana, and other stakeholders and we will be working in coordination with them to pre-empt the attack," said Dr Monga.

During 2017-18 there was an epidemic-level pink bollworm infestation in cotton growing states of central and South India. The infestation ranged between 8% and 92% .

Plan to tackle pest

Among the measures the Central Institute for Cotton Research has planned to prevent the possible attack are setting up of pheromone traps to lure the male moths, farmers' training and sensitisation of oil extraction units so that they should take the precaution that cotton seed brought by them from outside does not become the reason for the spread of the infestation.

American bollworm scare earlier

- Before Bt cotton was introduced in Haryana as well as in other northern states in 2005-06, American bollworm used to cause extensive damage to cotton crop year after year with the pest assuming epidemic form in 2001 and reducing the crop production to almost half that year.
- However, the introduction of Bt cotton has improved the production, but last year's incident of pink bollworm in Jind has caused a scare among farmers and farm scientists.

Source: tribuneindia.com- June 20, 2019

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