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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 142 of 2019 — July 20, 2019

US 68.92| EUR 77.42 | GBP 86.15| JPY 0.64

Cotton Market (July 19, 2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21005	43900	**81.31**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21550	45040	**83.42**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	61.71
ZCE Cotton: Yuan/MT (September 2019)	13,015
ZCE Cotton: USD Cents/lb	85.81
Cotlook A Index – Physical	**73.70**

Cotton Guide: As correctly predicted ICE futures took a nose dive last evening with the release of weak export sales data. We were expecting it to touch 61.50 cents/lb, however the ICE December futures fell 16 points short for this. ICE December touched a low of 61.66 cents/lb and settled at 61.71 cents/lb with a net change of -74 points.

This morning while we write this report the ICE futures have risen by +50 points and is trading in the 61.20 cents/lb range. However, the overall mood is still bearish. If prices once again settle below 62 cents/lb there is a good possibility of prices even touching 60.50 cents/lb. However, we feel that by Monday we can have an upward correction with the release of crop damage report. We are referring to the crop damage caused by Hurricane Barry.

All the ICE contracts across the board were lower. ICE March contract settled at 62.88 cents/lb with a change of -74 points. The total volumes have been on the lower side with figures below the 20,000 mark at 19,084 contracts. The volume for the ICE December contract was 13,674 contracts as compared to the previous figure of 11,769 contracts, that marks and increase of 16%.

The MCX contracts on the other hand traded in huge volumes. The volumes were high at 6731 lots as compared to the recent figures which were hovering around the 1500 lot mark. Here losses were heavy thus following the path of ICE. MCX July contract settled at 21,550 Rs/Bale with a change of -190 Rs whereas the MCX August contract settled at 20,980 Rs/Bale with a change of -60 Rs.

Country	Increases in Running Bales
Vietnam	34,400
India	11,900
Indonesia	3,300
Bangladesh	3,300
Malaysia	2,600

Table 1:Upland Export Sales for 2018/2019

The Cotlook Index A has been adjusted to 73.70 cents/lb with a change of -0.50 cents/lb and the Coltook Index A forward has been adjusted to 73.25 cents/lb with a change of -0.50 cents/lb. The prices of Shankar 6 have inched higher at 43,900 Rs/Candy.

The Export sales data released yesterday, Net sales of upland cotton amounted to 54,000 Running Bales (RB) for 2018/2019 which emanated an increase of 1 percent from the previous week and 46 percent from the four week average.

Country	Increases in Running Bales
Vietnam	100,900
India	33,700
Turkey	18,700
Guatemala	18,000
Pakistan	9,800

Table 2: Upland Export Sales for 2019/2020

Reductions were noted for Thailand 4,900 RB, El Salvador 1,200 RB and Japan 600 RB. For 2019/2020, net sales of 218,900 RB were reported.

Country	Shipments in Running Bales
India	89,200
Vietnam	57,100
Turkey	33,500
Bangladesh	27,100
Mexico	14,500

Table 3: Upland Shipments

Export Shipments were at 310,300 RB which emanated a decline of 7 percent as compared to the previous week and 6 percent from the four week average.

CFTC Report-

Futures Based On:	Call Cotton Based New York				Open Futures Contracts ICE Futures U.S.	
	Unfixed Call Sales	Change From Previous Week	Unfixed Call Purchases	Change From Previous Week	At Close 07/12/2019	Change From Previous Week
July 2019	84	0	15	0	2	-11
October 2019	0	0	0	0	246	31
December 2019	29,398	-2,922	38,875	-70	137,889	6,308
March 2020	21,365	161	3,537	-46	32,127	2,254
May 2020	8,488	184	387	-44	3,964	433
July 2020	13,187	-305	1,828	-119	4,360	310
December 2020	6,880	120	13,584	325	11,582	1,515
March 2021	2,175	-2	574	0	253	60
May 2021	633	-1	0	0	0	0
July 2021	578	-3	0	0	0	0
December 2021	0	0	331	0	0	0
Totals	82,788	-2,768	59,131	46	190,423	10,900

The Weekly CFTC Cotton On-Call Report for the week ended July 12th was released after the close. The most prominent change was a decline in Dec on-call sales, down 2,922 contracts to 29,398 contracts. Total on-call sales were 82,788 contracts, down by 2,768 contracts. Total on-call sales a year ago were 149,301 contracts. Total on-call purchases were 59,131 contracts, emanating a rise of 46 contracts. Total on-call purchases a year ago were 41,667 contracts.

On the fundamental front, for today, we can expect both International and domestic contracts to show slight declines.

On the technical front, ICE Cotton futures witnessed decline as it failed to hold on the recovery rally. Meanwhile price is trading below the 5 and 9 day EMA, with bearish cross over of short term (5 DEMA) below (9 DEMA) along with weaker RSI which weighed over prices to test new lows of 61.66. RSI in the daily charts is still under 40, which needs to move beyond 50 to change the bearish bias in cotton price, until then it could remain in the sideways to downside bias.

So in the near term resistance exists around 63.90 (9 DEMA), which may restrict price to move higher. Only a close above 64.00 would push price towards 65.00. On the downside below 62.35, price could weaken further to lower levels of 61.00. So for near term price is expected to consolidate in the range of 61.00-64.00 with downward bias. In the domestic market MCX July future is expected to trade in the range of 21380-21840 Rs/Bale.

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

US, China Trade Negotiators Talk for Second Time Since Truce

U.S. and Chinese senior officials spoke by phone this week, the second call since the late June summit at which the two sides agreed to a truce in their ongoing trade conflict.

U.S. Trade Representative Robert Lighthizer and U.S. Treasury Steven Mnuchin spoke to the Chinese side earlier, a USTR spokesman said. China's Commerce Ministry said Vice Premier Liu He and Commerce Minister Zhong Shan were among those on the call. There were no details released from both sides on what was discussed.China's Ministry of Foreign Affairs spokesman Geng Shuang declined to comment on whether the two sides will next meet in Beijing at a regular briefing on Friday.

Talks between the two sides collapsed in May and there's been little public progress since Presidents Donald Trump and Xi Jinping agreed to a truce when they met in Japan last month. There are still deep differences between the two nations, with Commerce Secretary Wilbur Ross cautioning the negotiations would be a "long, involved process."

Trump this week reiterated that he could impose additional tariffs on Chinese imports if he wants, and complained again that China wasn't buying the large volumes of U.S. agricultural goods that he claims Xi promised to purchase. Another major sticking point for any resumed negotiations will be how exactly the U.S. will ease trade restrictions on Chinese technology giant Huawei Technologies Co.

The U.S. government is under pressure from Congress not to make concessions on Huawei, with a bipartisan group of U.S. Senate and House lawmakers unveiling legislation this week that that would stop the removal of Huawei from the "technology blacklist" without an act of Congress. U.S. Senator Rick Scott said on Thursday in an Bloomberg Television interview that Huawei is not a trade issue, but a national security one and is non-negotiable.

Mnuchin said earlier this week that if discussions with Chinese officials by phone were productive that he and Lighthizer would travel to Beijing for more meetings.

Source: sourcingjournal.com- July 19, 2019

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Prices drop in Brazilian cotton market this month

Prices dropped in the Brazilian cotton market in the first fortnight of July as liquidity was higher. Between June 28 and July 15, the CEPEA/ESALQ cotton Index, with payment in 8 days, dropped 2.2 per cent, closing at 2.6557 BRL per pound on July 15. The average price of 2.7032 BRL per pound is 25.15 per cent below those prevailed in July 2018.

As processing advanced, more cotton batches from the 2018-19 crop were supplied in the spot, making sellers more willing to lower asking prices during the fortnight, Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on Brazilian cotton market.

Meanwhile, in its 10th crop survey, released on July 11, Conab revised production estimates down by 0.41 per cent for 2018-19—compared to that reported in June, to 2.665 million tons, which is 32.9 per cent higher than that in the previous crop, due to the 36.2 per cent area increase (1.6 million hectares).

The average productivity, in turn, decreased 0.48 per cent compared to that reported in June and 2.5 per cent compared to the 2017-18 season, to 1,665 kilos per hectare.

In Mato Grosso, although the average productivity may decrease by 1.1 per cent to 1,641 kilos per hectare, the amount to be harvested is forecast at 1.64 million tons, 36.8 per cent up compared to the 2017-18 crop.

Bahia, in turn, may harvest 583,700 tons of cotton, 17.1 per cent more than in 2017-18. Despite the sharp area increase by 25.9 per cent, the average productivity may decrease 7 per cent to 1,758 kilos per hectare.

In terms of exports, Secex data indicates that in the current season (from August 2018 to June 2019), shipments have totalled 1.262 million tons, surpassing the record from 2011-12.

In June, cotton exports totalled 61,600 tons, higher than the 8,800 tons shipped in the same period of 2018 and the largest volume exported in the month of June since 1996.

Source: fibre2fashion.com- July 19, 2019

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Vietnam: Firms have high hopes on EVFTA

Vietnamese businesses are having high hopes for bigger market shares in the European Union (EU) thanks to the bilateral free trade agreement (EVFTA) signed recently.

Among the commodities with high export revenue to the EU in the first half of 2019, textile-garment brought home over 15 billion USD, up 9.9 percent year on year, according to the Ministry of Industry and Trade (MoIT).

Vice Chairman of the Vietnam Textile and Apparel Association Truong Van Cam said right since late 2018 and early 2019, many businesses have received enough orders for export until the end of September and even the whole year. Notably, the recent influx of investment capital has helped the textile-garment sector gradually perfect its domestic supply chains, which will boost products' competitiveness.

In particular, the EVFTA has opened the door wide for Vietnamese exports to European markets, and textile-garment and footwear are among the big beneficiaries of this deal, he noted.

Pham Thi Thu Huong, CEO of the Minh Tri Co. Ltd, said in 2018 and earlier, her company's textile-garment exports to the EU accounted for only 10 percent of its total overseas shipments.

As the EU is a demanding market, in the past, the firm only had small orders. Since early 2019, to gear up for the EVFTA, it has increased investment to expand producing items for export to the EU, she noted.

As a result, Minh Tri recorded a year-on-year rise of 18 percent in its exports to this market in the first six months of 2019, and hopes that the figure will reach 25 percent for the whole year.

Huong said the company is having high expectations of the EU because this is a market with high value. Its shipments can further increase in the years ahead.

She added when the EVFTA takes effect, it will open up numerous new opportunities for textile-garment businesses. They will have more chances to enter this giant market, sell their products at higher prices and improve their manufacturing capacity via the application of new production technologies.

According to Director of the MoIT's European-American Market Department Ta Hoang Linh, aside from preferential tariffs, the EVFTA also includes strict requirements. If Vietnamese firms do not make preparations right from now, it will be hard for their products to benefit from these preferential treatments.

Rules of origin are among the issues that companies must comply with so as to ship goods to the EU since most of materials of Vietnamese exports currently come from China and ASEAN.

To be subject to preferential tariffs, products must be made with certain rates of materials from Vietnam or the EU, the official elaborated.

Huong admitted that the country's textile-garment sector still depends much on materials from China. To make use of FTAs, including the one with the EU, businesses should build strategies for developing domestic supply chains to satisfy the rules of origin. Additionally, authorised agencies also need to step up administrative and customs procedure reforms to help firms save cost and time.

Echoing the view, Linh said enterprises should be more active in ensuring their material supply so as to meet the EU's rules of origin, thus helping to expand the market share of Vietnamese textile-garment in this market.

Source: en.vietnamplus.vn- July 19, 2019

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USA: Cotton Inc. CEO on the Cotton Market: Still Vital Despite Volatility

While the U.S. cotton industry is dealing with depressed prices, a difficult trade environment, and hurricane season right now, its place as a key supplier of the most recognizable and consumed fiber remains strong.

"Our longer-term view is extremely positive," J. Berrye Worsham, president and CEO of Cotton Incorporated, told Sourcing Journal. "The short term, I would say, is a little bit clouded by some of the economic indicators in the U.S. and internationally. The tariff situation and trade issues between the U.S. and China [have] probably reduced global economic growth. The IMF [International Monetary Fund] is convinced of that."

Worsham said textile demand in general is historically sensitive to economic conditions, given its global supply chain and reliance on a range of raw materials often susceptible to volatile swings.

"So the overall business is not declining, it's just not growing at the rate it was expected earlier," he said. "That's caused some inventories to back up a bit, and consequently prices have come down for all commodities–cotton, soybeans–but also other fiber prices like rayon and polyester. From that standpoint, the growers don't particularly care for lower prices, so that's the downside. But fortunately, that's one of those things that normally cycles back up."

The longer-term view is much better from the supply side and the demand side, Worsham noted.

On the supply side, cotton has become more competitive with alternative crops like corn and soybean, which he said "were almost artificially high during the mid-2000s through a couple of years ago" due to growth in ethanol demand that caused prices to spike and took farmable acres away from cotton, "so plantings were down."

In addition, Worsham said, "The share loss that cotton had after the price spike in 2010 that seems to be moderating and flattening out–there's been almost no change in the past year–and with the issues related to synthetic fibers and microplastics.

"I think we're in a good position to maintain or even grow that share going forward," he added.

Prices

After maintaining a range between 65 cents and 69 cents per pound since early May, the New York December contract broke lower in the second week of July and fell to levels near 63 cents per pound, according to Cotton Inc.'s monthly analysis. The A Index, an average of global spot cotton prices, also declined, dropping from its range between 76 cents and 78 cents per pound to levels near 74 cents.

U.S. spot prices averaged 58.45 cents per pound for the week ending July 11, according to the U.S. Department of Agriculture (USDA). This is the lowest weekly average since April 7, 2016. The weekly average was down from 60.50 last week and from 83.34 cents a year earlier.

Of the cotton price slump, Worsham said, "The longest that could probably go would be when planting decisions come round in the first part of the calendar year next year. If those [futures] prices would continue to fall, let's say into the 60s, then I think you would see at least a moderate reduction in cotton plantings that would tend to be bullish to price."

In 2019-20, the U.S. is expected to grow 22.0 million bales of cotton, according to new USDA projections. Cotton Inc.'s analysis noted that with only 3.1 million bales for domestic use, "exports will need to be strong to prevent a major accumulation of stocks."

U.S. ending stocks are already forecast to grow by more than 30 percent and that is with a projection of near-record exports. The report said, "If shipments end up being weaker than forecast, further build up in supply in the world's largest exporter could weigh on prices globally."

As for the bottom line on prices, Worsham said: "I would say that we're reasonably close to the bottom. You can't make money growing cotton at 60 to 65 cents a pound on the futures market. At some point, prices will have to rise to cover costs. Growers would consider upper 70s to 80 cents on the futures market to be not a great price, but something reasonable."
Sustainability

A major issue for U.S. cotton is sustainability, based on its importance to the environment and the image and appeal of the fiber to manufacturers and consumers.

A comprehensive view of the subject–drilling down on problems along the supply chain from farm to shelf, and detailing advancements, methodologies and opportunities, were presented at the Cotton Sustainability Summit in San Diego in April.

“The summit met a number of our objectives, number one being that the cotton industry is clearly taking sustainability seriously,” Worsham reflected. “And we’ve been doing that for some time.”

He noted key topics such as microplastics pollution and the impact of polyester and other synthetic fibers were important, as were discussion on the recent formation of the U.S. Cotton Protocol.

The protocol, initiated by the umbrella National Cotton Council, is a pilot program designed to confirm and increase awareness that U.S. cotton producers are farming responsibly and striving for continuous improvement.

It includes growers, ginners, merchants and marketing cooperatives that will be enlisted to assist in recruiting producer participants and in verification of information obtained through the Protocol. The confidential information collected will be reviewed continually and participating producers will be able to monitor their sustainability progress, including comparing numbers with those for their geographic region and the entire Cotton Belt.

Producers’ first step in the voluntary program is completion of a self-assessment covering nine categories: soil health, nutrient management, water management, crop protection, harvest preparation, wildlife habitat, fiber quality, traceability and farm management. Enrolled producers must agree to use the FieldPrint Calculator or other qualified data product to monitor their farm for best management practices.

The Protocol was developed to help the U.S. cotton production sector reduce its environmental footprint through specific sustainability goals targeted for 2025. They are: a 13 percent increase in productivity, an 18 percent increase in irrigation efficiency, a 39 percent reduction in greenhouse gas emissions, a 15 percent reduction in energy expenditures, a 50 percent reduction in soil loss and a 30 percent increase in soil carbon.

"We think these sustainability efforts can not only be good for the planet, but also be a competitive advantage for cotton," Worsham said.
Market share and consumption

The edge that it can bring is at the heart of Cotton Inc.'s mission of marketing cotton for growers to brands, retailers and consumers. How to achieve that purpose has changed over the years, Worhsam and Kimberley S. Kitchings, senior vice president of consumer marketing, noted.

"Consumer marketing of cotton is more complex than ever," Worsham said. "It's not just about marketing taglines (like the Fabric of Our Lives), you have to have product to go with it.

"A lot of marketing today is the integration of the supply chain marketing side–the brands and retailers–and also bringing in the product development teams who are developing the fabrics and ideas for innovative cotton products," he continued. "We have to come up with products and ideas for mills or brands and retailers to adopt technologies and finishes or finished products that are going to be what the consumer wants."

In consumer marketing, Cotton Inc. has switched a lot of its efforts to the digital and social media side, he noted, doing a lot of partnerships and point of sale.

"We have a very diversified portfolio in consumer marketing," Kitchings said.

She noted a program with Amazon called Cotton Style House, which after a livecast fashion show last fall, has now launched a limited-time shop where consumers can find a selection of cotton apparel curated to fit their lifestyles and occasions.

Available to shop now through Aug. 31, the Cotton Style House Collection at amazon.com/shopcotton is inspired by eight social media influencers from around the country with more than 1.5 million Instagram followers combined.

"We're looking for any opportunity to ease the consumer journey because when he or she is looking to shop, it's going to be very hard to find fiber content labels, along with reminding them of the natural and sustainability benefits that cotton conveys," Kitchings said.

Plans for an upcoming marketing campaign will connect cotton to denim is a positive way, Kitchings said, and describe the comfort it brings.

Worsham noted that cotton is "still the dominant fiber in apparel and home furnishings–over 50 percent by weight."

He said, "Post-2010, when cotton prices went sky high, you started seeing fiber substitution and saw the accelerated trend toward lighter fabrics, so the same number of clothes requires fewer bales of cotton. We lost about 8 or 10 [percentage] points of market share during that period, but that has leveled off."

He and Kitchings also noted that there has been a lot of blending that's been incorporated into fabrics for performance characteristics, which actually helps cotton consumption.

In the latest USDA report, global production estimates for both 2018-19 and 2019-20 increased by a little less than half a million bales. For global mill use, estimates for 2018-19 and 2019-20 were lowered.

"With production higher and consumption lower, a net effect was an increase in the estimate for global stocks," Cotton Inc. said. "The figure for world ending stocks in 2018-19 increased 1.7 million bales to 79.3 million. That carried through to 2019-20 as an increase in beginning stocks and contributed to the 3.2 million bale upward revision to the forecast for 2019-20 ending stocks to 80.4 million. This erased the 2 million bale year-over-year reduction that was projected for 2019-20 last month and replaced it with a 1.2 million bale increase."

"Ultimately, it's about how much cotton is needed globally," Worsham added. "Cotton will find its way into the market."

Source: sourcingjournal.com- July 19, 2019

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Vietnam: Domestic garment producers face order shortage in H1

Local garment producers have so far received less order than 2018 and the shortage of orders is becoming more common, heard a press conference held by the Vietnam Textile and Apparel Association (VITAS) in Hanoi on July 19.

The number of orders in the first half of 2019 was just equivalent to 70 percent of the figure in the same period last year, said VITAS Vice President Truong Van Cam.

As the apparel industry grew by less than 9 percent by the end of June, it must expand 11 – 12 percent for the remaining months to fulfill the goal of earning 40 billion USD from exports this year.

Other major textile and garment producers like India and Indonesia are facing a similar situation as demands from customers are getting higher while pressure to cut cost and higher trade barriers, such as import duties or quality inspection are also taking a toll on them, he explained, saying that Vietnamese firms are no exception.

Foreign countries have taken several measures to support their domestic exporters, for example, cutting corporate income tax and duties on imported apparel materials, and devaluing their currencies, making it more difficult for Vietnamese enterprises to compete with, Cam added.

He hoped that the situation would improve in the last six months as it is normally the time for high-value orders for products like jackets, suits and winter sportswear.

Nguyen Thi Hong Anh, VITAS Vice Secretary General, said to attract more orders, local producers must strictly comply with requirements of buyers and protect workers' rights.

According to the VITAS, the textile and garment industry earned approximately 18 billion USD from exports in the first half of 2019, up 8.61 percent year on year. The figure included 14.02 billion USD worth of clothing and 1.02 billion USD worth of fabrics, up 8.71 percent and 29.9 percent, respectively.

The US remained the biggest buyer who imported 7.22 billion USD worth of textile and garment products, up 12.84 percent from a year earlier. It was followed by member states of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (2.57 billion USD, up 11.13 percent), the European Union (2.05 billion USD, up 10.46 percent), and the Republic of Korea (1.37 percent, up 5.59 percent).

Source: en.vietnamplus.vn- July 19, 2019

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Vietnam: Textile and garment exports rise 8.91% in six months

The Vietnam's textile and garment sector posted a total export revenue of over US$17.97 billion in the first six months of this year, an increase of 8.61% over the same period in 2018, heard a press conference held by the Vietnam Textile and Apparel Association (VITAS) in Hanoi on July 19.

Meanwhile, the import revenue of the sector reached US$11.39 billion during the six-month period, a year-on-year increase of 5.66%.

VITAS Vice Chairman Truong Van Cam said that the number of orders this year is not as satisfactory as in 2018 and textile and apparel firms are facing a shortage of orders.

Cam noted that the number of orders of many enterprises is only equivalent to 70% of the same period in 2018 and the consumption of yarn and accessories is encountering a lot of difficulties.

The whole textile and garment sector has grown less than 9% in the first half of this year, requiring the sector to expand by 11-12% by the year's end to fulfil the target of reaching an export turnover of US$40 billion in 2019, Cam added.

He said that the main reasons for the reduction in number of orders include the higher and more demanding requirements from buyers, pressure on reducing prices and increasing trade barriers such as import tariffs, quality inspection, among others.

In the January-June period, the US remained the largest export market of Vietnamese textiles and garments with Vietnam's total export revenue to the US at US$7.22 billion, up 12.84% compared to the same period in 2018. The market accounted for 46.9% of Vietnam's total export revenue of textiles and garments.

Vietnam also attracted approximately US$700 million worth of foreign direct investment in 63 garment and textile projects in the first five months of this year, including 17 Chinese-invested projects, 12 projects invested by the Republic of Korea, among others.

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

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Pakistan: Textile exports stagnant

The textile and clothing exports fell 1.42 per cent to $13.32 billion in 2018-19 from $13.5bn in the preceding year, the Pakistan Bureau of Statistics (PBS) reported on Friday. Product-wise, garment exports witnessed a growth of 3.03pc in terms of value to $2.65bn year-on-year and 32.77pc in terms of quantity.

On the other hand, exports of value-added products, knitwear, posted a negative growth of 6.92pc to $2.89bn. During the period under review, bed-wear exports increased 0.06pc in value and 8.18pc in quantity whereas those of towels fell by 1.41pc year-on-year in value and 7.21pc in quantity. Export of intermediate commodities including cotton yarn declined by 17.97pc in value and 17pc in quantity due to sluggish demand from China.

Cotton cloth exports dipped 4.64pc in value, but increased 16.61pc in terms of quantity whereas raw cotton exports plummeted by 64.58pc in value and 64.08pc in quantity. Exports of low value-added products, such as cotton-carded, edged up 4,920pc in value and 2,092pc in quantity.

However, exports of yarn – other than cotton yarn – went up 1.51pc in value and 4.27pc in quantity during the fiscal year under review.

Source: dawn.com- July 20, 2019

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Pakistan: Cotton market sluggish

The recent heavy rains have adversely affected phutti (seed cotton) arrival from Punjab cotton fields and restricted trading in new crop on Friday.

There was strong demand for quality cotton from spinners but short supply of quality cotton hindered proceedings. However, it was encouraging to note that cotton and phutti prices were steady for both Sindh and Punjab varieties. The Punjab quality cotton remained pegged at around Rs8,550 and Sindh at Rs8,450 per maund.

According to reports new crop phutti arrival also started in Balochistan and was being quoted in the range of Rs4,000-4,100 per 40 kg.

Cotton analysts were critical about the government's attitude towards the cash crop. They said that cotton sowing has almost ended in both Sindh and Punjab but the promised indicative price for phutti has not been announced so far. The purposed of indicative price, they said, was to encourage growers to cultivate more cotton than other crops.

Contrary to this India has already increased indicative price for phutti by Rs105 per 100kg where cotton output is feared to be lowest in the last one decade at around 30.12 million bales.

On global front New York cotton remained under pressure following lower export figures. The trade war between US-China — with former biggest cotton exporter in the world and latter biggest consumer — continued to depressed cotton prices.

The Karachi Cotton Association (KCA) spot rates were raised by Rs50 to Rs8,350 per maund.

The following deals were reported to have changed hands on ready counter: 2,000 bales, station Tando Adam, at Rs8,450; 1,000 bales, Sanghar, at Rs8,425-8,460; 800 bales, Shahdadpur, at Rs8,450-8,475; 400 bales, Burewala, at Rs8,550; 200 bales, Chichawatni, at Rs8,550; and 200bales, Taminwali, at Rs8,550.

Source: dawn.com- July 20, 2019

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NATIONAL NEWS

What a slowdown in China means for the world and India

In the last few days there has been a lot of discussion on the news that the Chinese economy has registered only 6.2 per cent growth in the second quarter of 2019. This is the slowest growth recorded by the world's second-largest economy in almost three decades.

United States President Donald Trump was quick to take the credit saying that the imposition of new US tariffs are having its effect on the Chinese economy.

In response, the Chinese authorities asserted this is not a 'bad performance' considering slower global economic growth and it is within the annual target range of 6-6.5%.

Although 6 per cent-plus growth is pretty impressive for a $13 trillion economy, yet this looks small because we are talking about China. For more than three decades, Chinese economy has performed either double-digit growth or one of the highest growth rates in the world.

The high economic performance has also been one of the main factors responsible for communist regime's legitimacy. For years, the world is used to the narrative of the rise and rise of China.

The Chinese policy makers also followed Deng Xiaoping's advise, "development is the only hard truth". In 2019, the Chinese economy is 42 times larger than what it was in 1980. In the last 10 years, China has also been a major contributor to global growth.

China will continue to rise. However, the rise in the coming years will be different.

The country is entering a new growth trajectory and the era of high-speed growth is perhaps over. Since the economic base is very large, a medium to high growth (5-6 per cent) in the coming years should be a new normal. To be fair, China in its 13th Five Year Plan (2016-2020) had targeted only 6.5% growth. Despite global conditions and trade war with the US, they are not terribly far behind.

Future growth is going to be dependent more on productivity rather than just expansion of factors of production.

Despite introducing various economic reforms, many countries in the erstwhile Eastern Europe floundered during this stage. However, Chinese transformation to a market economy has been remarkably different and successful so far.

China is already an upper middle-income economy. After reaching this stage, many countries also got trapped in ‘middle-income trap’. After initial high growth, many nations have stagnated at this level and never managed to make a transition to a high-income economy.

All these dangers are real. However, China has so far defied many theoretical formulations. All indicators show now that the economy is slowing down. Challenges pointed out by analysts include increasing labour cost, rising debt, a housing bubble, an ageing population and now a trade war with the US.

As China is trying to move up the global value chain, industries related to textiles, shoes, toys etc. are already moving into countries such as Bangladesh, Cambodia and Vietnam. Due to its own structural problems, India has not been able to take much advantage from this restructuring.

The two-stage development plan set out at the 19th Party Conference talked about building foundations for a modern economy (2020-2035); and China with a substantial global influence (2035-2050). In the initial phase, technological development is going to be extremely critical.

Realising this, China is spending huge resources on R&D and education. Some studies have pointed out that Chinese R&D spending is more than Germany, Japan and South Korea combined. The Chinese are already becoming serious players in several aspects of technologies related to 5G, aerospace, artificial intelligence and robotics.

As State intervention has strengthened under Xi Jinping, inefficiency (or efficiency) of State-led innovation spending may play a determining role in future growth.

Another push for growth is expected from the 'going out' policies under the Belt and Road Initiative (BRI). This is also linked with the strategy of enhancing global influence in the long run. Three decades of growth has also produced a large middle class. China is also focussing more on the domestic market. Due to tensions with the US, It may also try to diversify trade partners.

Changes in the quality of growth will have a negative price impact on global energy, metals and raw material markets. So the commodity markets may come under pressure. Indian exports such as minerals, copper and chemicals may be affected. The slowdown may also affect foreign goods purchased by Chinese consumers.

The expected transition in the Chinese economy provides many new opportunities for India in the areas of manufacturing, infrastructure building as well as new linkages with the world's second-largest economy. This however, will need deepening of our own economic reforms and changes in geopolitical thinking about China.

Source: moneycontrol.com- July 19, 2019

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Delhi mulls giving Bangladesh access to ports on west coast

Part of move to improve India's attractiveness as a transshipment hubwill

At a time when Nepal is bracing for a multi-billion dollar bill for rail connectivity to Chinese ports located over 4,000 km away, India is discussing the possibility of giving Bangladesh access to the west coast ports ofl JNPT or Mundra, which can receive large mother vessels and are located a little over 2,000 km away from Dhaka.

The connectivity will come at no extra cost, as a series of India-sponsored rail-link projects are under implementation between India and Bangladesh.

And, Dhaka is building a bridge over the Padma river. The proposal, which is in initial stages, is a win-win for both the countries.

Bangladesh now ships its exports, mostly garments, by daughter vessels through the congested Chittagong port to Colombo, Singapore or Port of Klang for transshipment to mother vessels. The entire process is time-consuming with cost implications.

Bangladesh aspires to have deep-sea ports. However, considering its limited cargo potential, there is a question mark over the viability of such facilities, which involve substantial investments. Also, there is no guarantee that shipping lines will send mother vessels to Bangladesh.

India has already offered Bangladesh the right to use Kolkata port (in exchange for Bangladesh granting the North-East region access to Chittagong port). However, it may not solve the long-term problems of Dhaka, as Kolkata, being a river port, cannot draw large vessels.

The other Indian ports on the east coast are either yet to have container traffic or suffer from low draft. India is building three ports — including the proposed $4-billion Vizhinjam port by Adani group — to attract transshipment traffic from Colombo or Klang. However, this will take time. Meanwhile, the Narendra Modi government is keen to improve India's attractiveness as a transshipment hub by inviting neighbours to use its deep-draft port facilities on the west coast.

With Customs having implemented the electronic cargo tracking system, third country containers can easily pass through without physical checks and the resultant delay.

The huge investments underway in rail infra will make movement of goods easier. It might also add to the viability of the upcoming freight corridor.

With connectivity issues getting resolved fast, both India and Bangladesh are looking forward to making better use of the infrastructure.

Source: thehindubusinessline.com- July 19, 2019

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DGCIS data show 2% rise in apparel exports in five years: Irani

Directorate General of Commercial Intelligence and Statistics (DGCIS) data shows a 2 per cent increase in the export of apparel in the sector of textile in five years. The export increased from Rs 102,943 crore in 2014-15 to Rs 112,701 crore in 2018-19, the textile minister Smriti Irani mentioned in a written reply in Lok Sabha on Friday.

Aiming to overcome the hurdles and enhancing the exports, some garments units have been set up in Ethiopia due to zero duty access for Ethiopian exports in US and EU markets and due to incentives being offered for investments there.

Further, Special Package was announced for garments and made-ups which offers rebates of State Levies (RoSL). Reforms in the labour laws have been done. The relaxation of Section 80JJAA of the Income Tax Act and many significant moves has also been initiated, said by the minister.

The official reply emphasized on the new Scheme for Rebate of State and Central Taxes and Levies (RoSCTL), which was announced on March 7 of this year. The rates under Merchandise Exports from India Scheme (MEIS) were enhanced from 2 per cent to 4 per cent. Even the assistance is also provided to exporters under the Market Access Initiative (MAI) Scheme.

Besides, the Indian government has enhanced interest equalization rate for pre and post-shipment credit for exports by MSMEs of the textile sector from 3 per cent to 5 per cent in November 2018. Further, the Benefits of Interest Equalization Scheme, which was earlier limited to only manufacturer exporters, now has been extended to merchant exporters from February 2019.

In dollar terms, garment exports have been valued around 16 to 17 billion $now. Though India faces competition in the manufacturing cost from neighbouring countries, Bangladesh and Sri Lanka, but enjoys the duty-free access in the major countries, Irani said. Meanwhile, Irani also said that India is the second largest producer of silk in the world and the total raw silk production in the country increased by 10.52 per cent during 2018-19 over the previous year.

Irani said among the four varieties of silk produced in 2018-19, Mulberry accounts for 71.50 per cent (25,213 MT), Tussar 8.44 per cent (2,977 MT), Eri 19.40 per cent (6,839 MT) and Muga 0.66 per cent (232 MT) of the provisional total raw silk production of 35,261 MT. "The total raw silk production in the country increased by 10.52 per cent (35,261 Metric Tonne (MT)) during 2018-19 over the previous year 2017-18 (31,906 MT)," she said during Question Hour.

The minister said the Central Silk Board (CSB), a statutory body under the Ministry of Textiles is encouraging production and export of silk. To benefit farmers engaged in sericulture, CSB is implementing a restructured Central Sector Scheme 'Silk Samagra', which mainly focuses on improving quality and productivity of domestic silk thereby reducing the country's dependence on imported silk. Under the scheme, assistance is extended to sericulture stakeholders for the beneficiary oriented components like, raising of Kissan Nursery, Plantation with improved Mulberry varieties, Irrigation, Chawki Rearing Centres with incubation facility, construction of rearing houses besides others, she said.

Source: millenniumpost.in- July 19, 2019

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Witness New Asian Drama

Over the past decade, global output has continued to rise but the share of goods traded across borders has fallen by 5.6% points. This decline does not reflect trade disputes or hint at an impending slowdown.

Instead, it reflects healthy economic development in China, India and the rest of emerging Asia.

As consumption rises, more of what gets made in these countries is now sold locally instead of being exported to the West. Over the decade 2007-17, China almost tripled its production of labour-intensive goods, from $3.1trillion to $8.8 trillion.

At the same time, the share of gross output China exports has dramatically dipped, from 15.5% to 8.3%. India too has been exporting a smaller share of its output. This implies that more goods are being consumed domestically rather than exported.

Furthermore, as the region's emerging economies develop new industrial capabilities and begin making more sophisticated products, they are becoming less reliant on imports of both intermediate inputs and final goods.

The previous era of globalisation was marked by Western companies building supply chains halfway around the world as they sought out lowest labour costs — and often their supply chains ran through Asia.

Now, labour arbitrage is on the wane. Only 18% of today's goods trade now involves exports from low-wage countries to high-wage ones — a smaller share than most people assume, one that is declining in many industries.

Source: economictimes.com- July 19, 2019

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Cotton yield tanks to decadal low in Gujarat

In what could trigger greater concerns for the entire cotton value-chain, India's cotton yield slumped to a decadal low of 420.72kg or 2.47 bales per hectare during 2018-19, shows an analysis by Cotton Association of India (CAI).

FOCUS ON YIELD

Cotton yield in select states

State	Yield*
Rajasthan	736
Tamil Nadu	713
Madhya Pradesh	641
Haryana	552
Punjab	555
Gujarat	**549**
Karnataka	383
Telangana	330
Andhra Pradesh	328
Maharashtra	284

*kg/hectare; Source: CAI

According to the apex trade body, cotton yield in Gujarat is estimated to be 549.83kg per hectare, which is lower than other states such as Punjab, Haryana, Rajasthan and Tamil Nadu. At 283.73kgs, Maharashtra has witnessed the lowest yield among the Indian states.

CAI has estimated a total 312 lakh bales (170kg each) production of cotton in 2018-19 season with Gujarat contributing 86 lakh bales. Less availability of water for irrigation, uneven distribution of rain and global warming have negatively impacted the cotton yield in India, say industry experts.

"Bringing larger area into cultivation of cotton to increase production is not the solution for India. What is required is to increase the overall cotton yield levels," said Atul Ganatra, president, CAI.

"This calls for urgent attention and concerted efforts by all stakeholders for increasing the cotton yield in India lest a day should not be far off when India will turn into a net cotton importing country," he added.

Source: timesofindia.com- July 17, 2019

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Gujarat No 1 in credit to MSMEs; much scope for lending in Bihar, UP

Gujarat has emerged the top performing State in extending credit to micro, small and medium enterprises (MSMEs), followed by Andhra Pradesh, Haryana, Karnataka and Delhi, according to a report.

There was a 12.4 per cent year-on-year growth in credit in the quarter ending March 2019, said the report, 'TransUnion CIBIL- SIDBI MSME Pulse'.

While Maharashtra stood first in terms of market size, Andhra Pradesh topped chart in market growth.

Commercial lending

The credit penetration is remained low in Bihar, Uttar Pradesh and Odisha and hence the opportunity to lend is very high in these States, the report said. The overall gross non-performing asset (NPA) in commercial lending was 16 per cent in March 2019 compared to 17.2 per cent during the same period last year.

"The sustained growth in commercial lending along with lowering of NPAs is a very promising indicator of the MSME sector growth which plays a pivotal role in catalysing economic development," said Mohammad Mustafa, Chairman and Managing Director, SIDBI.

The MSME Pulse ranking model looks at market size in terms of total credit exposure, accounts and consumers.

"The State-wise performance insights throw significant light on the credit opportunity, potential of MSME growth and risk predictors across India. Gujarat has consistently ranked number one over the last four years (financial tear 2016 to 2019)," said Satish Pillai, Managing Director and CEO of TransUnion CIBIL.

Source: thehindubusinessline.com- July 19, 2019

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Textile association launches leadership academy

The Indian Texpreneurs Federation (ITF) launched a leadership academy here on Friday to train supervisors, mid-level managers, and general managers, mainly in soft skills.

Convenor of the Federation Prabhu Dhamodaran told presspersons that as many as 51 textile units are partnering with the academy for the first phase to train totally 284 of its personnel. The academy has tied up with six trainers in Chennai and Bengaluru to conduct classes one day a month for 12 months. "We have decided on 12 topics and prepared it as a module," he said.

The participating companies have an annual turnover of ₹100 crore to ₹1,000 crore. The trainees will be evaluated and will receive a certificate at the end of one year.

The academy, located at PSG iTech, will also hold periodical sessions for Managing Directors of textile units on issues such as finance, economy, and leadership. The attrition rate in textile units at supervisor level is 30 %, worker level is 40 % and less than 5 % at mid-management level. There is a need to focus on the skills of the mid-level managers to improve the performance of an industry.

"We need a training eco system. That is why we have taken a space and set up an academy. It will slowly get into cost leadership and data analysis too," Mr. Dhamodaran said.

Source: thehindu.com- July 19, 2019

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Raw Silk production increased by 10.52% in 2018-19: Smriti Irani

There is an increase of 10.52 per cent in total production of raw silk in 2018-19 as compared to year 2017-18. India is the second largest producer of silk in the world and the total raw silk production has seen an increase, said Smriti Irani, Union Textiles Minister.

Giving details to the Lok Sabha, Irani said, “In total four varieties of silk produced in 2018-19 that consists Mulberry 71.50 per cent (25,213 MT), Tussar 8.44 per cent (2,977 MT), Eri 19.40 per cent (6,839 MT) and Muga 0.66 per cent (232 MT) of the provisional total raw silk production of 35,261 MT.

"In the tenure of 2018-19 total production accounted 35,261 Metric Tonne (MT) against 31,906 MT in 2017-18 which is an increase of 10.52 per cent,” she informed the Parliament during question hour today.

The minister said, Central Silk Board (CSB), a statutory body under the Ministry of Textiles, is encouraging production and export of silk.

CSB is implementing 'Silk Samagra', a Central Sector Scheme in order to benefit the farmers engaged in sericulture. This scheme focuses on increasing both productivity and quality of domestic silk with an aim to minimise the dependence of silk import into the country.

From this scheme, assistance is extended to sericulture stakeholders for the beneficiary components like Plantation with improved Mulberry varieties, raising of Kissan Nursery, Irrigation, Chawki Rearing Centres with incubation facility, construction of rearing houses besides others, she mentioned.

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

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