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IBTEX No. 254 of 2017 December 20, 2017

USD 64.06 | EUR 75.86 | GBP 85.79 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18740	39200	**78.07**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19580	40957	**81.57**

International Futures Price

NY ICE USD Cents/lb (March 2018)	75.03
ZCE Cotton: Yuan/MT (Jan 2018)	14,800
ZCE Cotton: USD Cents/lb	**86.24**
Cotlook A Index – Physical	**86.65**

Cotton & currency guide: Market has come off the high of 76.40+ cents for March since it made the high on last Friday. This week in last two days market is correcting gradually onto the downside. The most active March future settled lower by 17 points at 75.03 cents while the other months settled from 33 points lower to 3 points higher.

Market is mostly steady and believes ahead of holiday season the trading volumes are also low. As per the market trading volume was 26,553 contracts on Tuesday and cleared positions were 25,744 contracts.

The open interests have declined marginally by 301 contracts to 265,855 contracts. This suggests speculators are booking partly profit ahead of the year end.

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Overall we expect market to remain sideways. From the technical front unless the recent high is broken again on the higher side the market could continue to stay steady however need to watch 74 is the strong support levels. In the near term we expect market to trade in the range of 74 to 76.50 cents.

Unlike last week inquiries and sales of cash cotton have reduced. Some merchants have been aggressively seeking cotton to fill nearby sales. We expect a sideways trend.

On the domestic front, spot price of Shankar-6 had declined marginally to Rs. 39750 per candy ex-gin. The daily arrivals have increased marginally to 188K bales gradually rising from the last week's daily average.

This includes 53,000 registered in Maharashtra, 37,000 in Andhra Pradesh/Telangana, and 36,000 in Gujarat. On the futures front the December future at MCX had initially declined to Rs. 19360 per bale which ended the session a tad higher at Rs. 19580. We expect market to remain sideways and the trading range would be Rs. 19400 to Rs. 19700 per bale.

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

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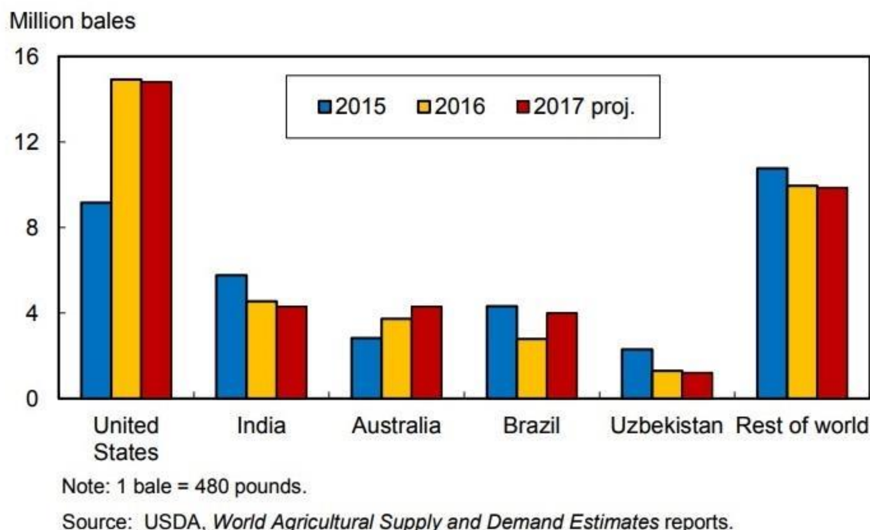
INTERNATIONAL NEWS

Global cotton trade at 4-year high in 2017-18: USDA

World cotton trade in 2017-18 is forecast to expand 3 per cent from last season and reach a 4-year high, according to the latest US department of agriculture (USDA) projections. Global trade is projected at 38.5 million bales in 2017-18, 1.2 million bales above last season, mainly due to the above-average growth expected in world cotton mill use in 2017-18.



In 2017-18, however, world cotton trade remains 17 per cent below 2012-13's record of 46.5 million bales.

Most of the world's primary spinners of cotton rely on imports, and the leading importers this season are considered non-producing countries. As a result, this import demand is satisfied by producing/exporting countries, viz the US, India, Australia, Brazil, Uzbekistan and other countries.

Export prospects for the United States are once again expected to remain strong in 2017-18, while those from Brazil and Australia are forecast to increase as they harvest larger high-quality crops; these three countries are projected to attain a combined 60 per cent of global trade.

"In contrast, cotton exports from India and Uzbekistan are forecast to decline again in 2017-18," the 'Cotton and Wool Outlook' report released by the Economic Research Service of the USDA said.

Source: fibre2fashion.com- Dec 20, 2017

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Brazilian cotton prices up 6% in first fortnight of Dec

Cotton prices increased in Brazil's domestic market in the first fortnight of December 2017, as both purchasers and sellers retracted from the market, similar to the activity observed in December last year. Between November 30 and December 15, the CEPEA/ESALQ cotton Index rose a staggering 6 per cent, closing at 2.5945 BRL ($0.7848) per pound on December 15.

"Only a few processors and traders were active in the spot market, searching for batches for quick delivery – these agents were flexible regarding asking prices, even for lower quality batches. Most contracts closed involved small volumes to replenish inventories and speed up loading before transportation stops, due to the holiday season," Center for Advanced Studies on Applied Economics (CEPEA) said in its latest fortnightly report on Brazilian cotton market.

While most growers and trading companies continued being retracted from sales in the domestic market, agents were focused on oscillations of future contracts at the New York Exchange Stock (ICE Futures) and the exchange rate (real x dollar). However, some export contracts were closed, mostly involving the 2017-18 crop.

Meanwhile, the National Company for Food Supply (Conab) has released its third crop survey on December 12. According to the survey, Brazil's 2017-18 cotton output may reach 1.69 million tons, 10.5 per cent larger than in the previous crop, due to the good perspectives for the Brazilian market.

The area sown with cotton is forecast to reach 1.04 million hectares, an increase of 11 per cent; however, average productivity is expected to be 1,622 kilos per hectare, a slight 0.5 per cent down compared to the 2016-17 season.

In Mato Grosso, the largest cotton producing state in Brazil, the 2017-18 harvesting is estimated at 1.06 million tons, 5.2 per cent above the previous one, according to Conab data. The area sown may increase 3.3 per cent, reaching 648,500 hectares, while the average productivity may rise 1.8 per cent, to 1,611 kilos per hectare.

In Bahia, the second largest cotton producing state in Brazil, the 2017-18 production is estimated at 430,200 tons, a staggering 24.3 per cent up compared to the previous season.

The increase may come entirely from the larger area sown (34.8 per cent), reaching 201,600 hectares. However, the average productivity may be 1,583 kilos per hectare, 7.8 per cent down compared to the 2016-17 crop.

Source: fibre2fashion.com- Dec 19, 2017

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Vietnam: Textile and garment sector stands to benefit from EVFTA

EU-MUTRAP team leader Claudio Dordi said that thanks to the EU-Vietnam Free Trade Agreement (EVFTA) expected to be signed next year, there will be ample opportunities to upgrade the value chain for the textile and garment sector as the EVFTA will provide tariff preferences to Vietnamese exporters to the EU.

Only "EVFTA originating" products will benefit from preferential tariffs for a maximum of seven years after entry into force.

To be "EVFTA originating," EVFTA requires textile and garment producers to carry out two production stages in an EVFTA country: Vietnamese producers can upgrade their value chain, adding the "weaving or knitting" stage to the existing "cutting and sewing."

At present, this operation is particularly challenging, as it requires financial resources and high-skilled workers to manage the high-technology machinery.

"However, for a maximum of seven years, the present 12 per cent duty on textile and garment imports from Vietnam will be removed and, taking into consideration the better legal environment for investment (indirect EVFTA opportunities), we may expect that the EU or other countries' investors will provide the necessary technology (machinery) to support the upgrading of the garment value chain," said Dordi, who is also professor of the International Trade Law of Italy's Bocconi University.

"Investors from other countries may wish to relocate sufficient stages of textile and garment manufacturing to Vietnam to benefit from market access offered by the EVFTA," Dordi said.

A number of domestic textile and garment firms like Thanh Cong Textile Garment Investment Trading Company and Phuong Anh JSC may benefit from the EVFTA as they have close production chains, from fibre, cloth, yarn, and buttons to finished products.

"We are expecting to benefit from the EVFTA. It is expected that our company's garment exports to the EU markets will annually increase by 25-30 per cent, thanks to tariff slashes," said Nguyen Duc Anh, head of Phuong Anh JSC's Marketing Division producing garments and footwear products.

All materials are sourced from the company's subsidiaries.

However, many textile and garment firms in Vietnam said they might not be able to enjoy the benefits of the EVFTA.

Nguyen Thanh Thuy, deputy general director of a Singaporean-Vietnamese garment and textile joint venture in Hanoi, told VIR that her company would not be able to benefit from tariff slashes under the EVFTA, though it is exporting products to several European nations.

"It is because the company imports almost all of its materials from Hong Kong, not from EVFTA members," Thuy said.

Do Thi Nhung, representative from a Republic of Korea's garment firm in the southern province of Binh Duong, also told VIR that her firm imports materials from China, Taiwan, and Hong Kong, and products are exported to the US.

This means that this firm will not be able to enjoy tariff incentives under the EVFTA, Nhung said.

According to Dordi, the textile and garment sectors actually show huge differences between each other. Textiles are more capital-intensive, relying on technology and requiring highly skilled workers. It adds higher-value than the garment sector, which is labour-intensive and mainly reliant on low skilled workers.

Vietnam, rich in labour and limited in available capital, is deeply engaged in the low-end of garment manufacturing activities (the “cut and sew” stage of production).

EU-MUTRAP is a project aiming to support the Ministry of Industry and Trade in facilitating sustainable international trade and investment through improving policy making capacity, policy consultation, and the negotiation and implementation of related commitments, particularly vis-à-vis the EU.

Source: vietnamnet.vn- Dec 19, 2017

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CPEC could turn into a nightmare if Pakistan keeps tariffs high

Pakistan’s situation regarding its international trade and tariff policies is similar to that of Alice in Wonderland.

Should it continue to negotiate new free trade agreements (FTAs) and thus liberalise or should it keep imposing new regulatory duties, consequently tightening its import regime further?

At present, it seems to be going in both directions, not knowing which is the right course.

Pakistan has played on both sides of the fence in the past and its success in a few cases probably encourages it to stick to that strategy.

For example, in 2006 Pakistan became part of the South Asia Free Trade Area (Safta). At the same time, it was able to keep the door closed on most of the Indian imports through land routes on the pretext that becoming part of a free trade area did not mean that it had granted the Most Favoured Nation (MFN) status.

CPEC projects set to enter next stage of execution

While other countries in Safta moved on and integrated their economies and in the process gained in terms of exports and prosperity, Pakistan

continued to remain aloof. Why is Pakistan not able to move on whereas the rest of the world has successfully used bilateral and regional free trade agreements for their benefit?

First, as in the domestic economy, Pakistan wants preferential access without having to negotiate quid pro quo. In other words, it is always on the lookout for other countries to give it special concessions under a SRO-type arrangement.

Thus, it considered it a great achievement to have secured from the European Union (EU) the Generalised Scheme of Preference (GSP) Plus facility without having to offer any reciprocal market in return.

It did not realise that in this process, it has to accept many humiliating terms including EU's intrusive inspections in various domestic situations including human rights and labour practices. Since it did not have to offer any market access, it had no incentive to reform or become more competitive.

Second, even a cursory look at the local press shows that most commentators would prefer going back to the 20th Century trade regime when import substitution policies were in vogue.

Our manufacturers present the infant industry argument and would like to avoid all competition. For the FBR, it is much easier to collect taxes on imports than make the rich pay their fair share through income tax.

Third, so far Pakistan has signed all its free trade agreements without having conducted any serious studies. As soon as imports from the partner country start flowing in, then blame game starts.

When the FTA was first signed with China in 2006, it was celebrated as a big step forward for the economy. But even before negotiations could start on the second phase, there were calls all around for renegotiating the terms agreed in the first phase.

It is not clear how it would be different with competitive countries such as Turkey, Thailand and South Korea, with whom we are trying to sign new trade agreements.

Tariff concessions

What we do not realise is that these economies have liberalised their trade regimes a long time ago and there is not much they can offer to Pakistan in terms of tariff concessions. In those countries, average import duties on industrial goods are no more than 2-3% and constitute less than 5% of their revenues.

In the case of Pakistan, customs duty is at least three times the average in these countries and constitute over 13% of the import revenue. In fact, taxes on imports account for almost 40% of total collection.

Without domestic reforms, opening up to these countries will not give results any different from what happened in the case of China or Malaysia.

How to get out of this dilemma? Obviously, Pakistan cannot keep running in opposite directions and expect to get anywhere. There is a need for a national consensus whether we want to remain isolated economically or we want to be more integrated.

If we prefer isolation, then there is no need for more FTAs. However, if we want to be more globalised, then we have to first reform trade and tariff policies.

Most countries that have benefitted from the FTAs have first liberalised unilaterally, thereby preparing their domestic industry for competition and only then opted for bilateral or regional free trade agreements.

This question is now more important than ever in the past. Through CPEC, Pakistan can become a hub for transit and trade. However, if it continues to keep high tariffs, CPEC could turn into a nightmare. It could further flood our markets with smuggled goods.

CPEC, OBOR game-changer for entire region

There would be calls for more restrictions on transit trade as has been made in the case of Afghanistan transit trade. Special Economic Zones would never be successful if the current duty regimes are maintained.

The writer served as Pakistan's ambassador to the WTO from 2002 to 2008.

Source: tribune.com.pk- Dec 18, 2017

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CPEC – Pakistani vs. Chinese companies!

Can Pakistani companies compete against the Chinese companies once CPEC (China Pakistan Economic Corridor) gets completed along with its economic zones and industrial estates? This is the question, which is troubling majority of Pakistani entrepreneurs and perhaps rightly so, as they have good reasons to be fearful. Unlike the impression that CPEC will open new doors of development in Pakistan, Pakistan's most competitive sector (globally), Textiles, has already started to fear the stiff competition after the introduction of a 10-year textile development plan by China in its Xinjiang Uygur Autonomous Region.

As nearly 35% textile units in Pakistan have closed down for various reasons, including a higher cost of doing business, becoming uncompetitive on account of respective subsidies & support to international competitors by their respective governments, etc., the huge investment on the textile park at bordering region of China is now being perceived as a serious threat to the local industry, which as mentioned is already struggling to compete with its international challengers and with an uncertain economic environment at home.

According to this (Chinese) 10 year plan, by 2023, Xinjiang will host China's largest cotton textile production base and the largest garment export processing base, making Xinjiang the largest manufacturing and exporting base of China in cotton textiles. Xinjiang already accounts for 60% of China's seven million tons of cotton production and in addition to funding the textile industrial parks and clothing factories (with latest state-of-the-art machinery) the Chinese government under this plan will also be subsidizing local cotton, electricity and labor-wages to the millers. Ironically, in response, no safeguard measures so far have been taken by the Pakistani side to protect its industry that roughly contributes 60% exports, 40% industrial employment, 40% bank-credit and 10% GDP.

The concern is that even under a normal trade environment most global companies find it hard to compete against their Chinese counterparts, because it is often argued that China cannot really be termed as a market economy and its companies naturally do not operate with the necessary transparency or with a fair adherence to norms of corporate governance.

In a recent move while the European Union (EU) Commission resolved to treat all World Trade Organization (WTO) members equally in determining whether or not they are dumping products into the EU, they at the same time singled out China for a special attention cum scrutiny. Of 32 trade investigations the EU Commission is carrying out, 22 feature Chinese imports, and the EU officials now openly air their concerns on China in reality not qualifying as a market economy.

United States (US) also shares the same concerns with the EU. Recently in a public hearing held by the US Trade Representative's office, US businesses openly communicated their complaints in what they said were China's efforts to tilt the economic playing field in favour of its domestic companies and WTO's inability to police all such unfair trade practices of Beijing.

Whether right or wrong these US companies alleged that they face increasing threats to their operational sustainability from Chinese investment rules, industrial policies, and subsidies to Chinese state-owned enterprises, excess manufacturing capacity, cyber-security regulations and forced technology transfers.

Of late, these allegations have gained momentum are now refer to some very explicit explanations on how exactly the WTO rules are bent in favour of the Chinese companies by the Chinese State,

* Electrical power from hydroelectricity dams like "three gorges dam" (22,000 MW) is virtually supplied free to the Chinese export driven companies – at US Cent 1 per KW – No such luck for the foreign companies operating in China.

* Loans to Chinese companies are generally for a tenure of 30+ years and sometimes mark-up is not charged for the first 10 years; thereafter also, a nominal rate only.

* Lower import tariffs to Chinese companies (as compared to foreign companies operating in China and also in general on a regional parity) for importing raw materials.

* Lower excise duty, sales tax, etc. to Chinese companies as compared to the foreign companies operating in China.

* Unfair labour practices towards Chinese companies vis-à-vis labour laws including minimum wages, over time, retirement benefits, etc. Chinese workers in many cases, they allege, were not paid any cash salaries till just about 2-3 years back, and they were given jobs in export driven manufacturing plants only on the basis of accommodation plus food.

* Restriction on sales of products produced by foreign companies in China to only major cities and not allowing them to sell on all Chinese sale points within the mainland.

* Any surplus production of the Chinese companies is simply bought by the Chinese government organisations in a barter exchange – where the end product is picked at zero sale prices and raw material is also given at zero sale prices. E.g. the surplus steel is picked up by the Chinese government and the raw iron ore is given to the steel mills at zero value to produce this steel - And this, without the involvement of a single currency transaction.

Soon these problems will not be some distant pleas of foreign companies in the West, as soon Xinjiang will more or less be getting similar advantages – if not more – from the Chinese government.

Only this time the threat will be closer to home: to the Pakistani companies. But then, like in the 80s, who really cares as long as the dollars are flowing in!

Source: nation.com.pk - Dec 20, 2017

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International Istanbul yarn fair to be held next April

It began with cotton cultivation, over the years the Turkish textile segment has become an export industry.

The export of Turkish yarn and fibre products has increased in recent years following huge investments made in the industry.

Turkey is among the most important producers of cotton as well as yarn manufacturing and processing countries in the world.

The yarn industry continues to increase its value of exports with value-added products such as customised, high-performance products and eco-friendly yarns.

Given this background, the 15th International Istanbul Yarn Fair is set to open its doors from April 14-17, 2018 at the Tüyap Fair Convention and Congress Centre where it will bring the yarn and fibre industries together.

Participants who wish to export their goods to Europe and worldwide will get a chance to showcase their innovations and establish new partnerships as well as strengthen the image of their brand.

Visitors will have the opportunity to view cotton yarn, combed cotton yarn, polyester yarn, acrylic yarns, woollen yarn, fibres and many other kinds of yarn from different parts of the world as well as meet suppliers.

To be held with the participation of the world's leading manufacturers of textile machinery, ITM 2018 - International Textile Machinery Exhibition will take place on the same dates as the International Istanbul Yarn Fair between.

Source: fashionatingworld.com- Dec 19, 2017

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Vietnam Will See 6.5% Minimum Wage Increase Despite Concerns About Competitiveness

When it comes to wages, there are almost always two sides: the workers who want the wages increased, and the factory owners who don't because they still want to remain competitive among their low-cost neighbor countries. In Vietnam's case, the workers won—though their spoils will be less than what was sought.

Starting in January, the minimum wage in Vietnam will rise 6.5%, or an extra 180,000-230,000 Vietnamese dong ($7.94-$10.14) a month, depending on the region. That brings the total monthly minimum wage to between $136 in the lowest rate region and $175 in the highest wage region.

The wage increase is one of the lowest the country has seen, and comes in considerably lower than the 13.3% the National Salary Council had proposed, though higher at least than the 5 percent—or even status quo—the Vietnam Chamber of Commerce and Industry proposed.

Among those in favor of foregoing a wage hike, was the Vietnam Textile and Apparel Association (VITAS), which said minimum wages in the country have increased 21.8% between 2007 and 2017. The pressure from the increases pushed many manufacturers to reduce workers' annual bonuses and look for more ways to automate processes.

The concern for manufacturers has been maintaining the country's competitiveness in the face of rising wages, which potentially prevents in-country business from expanding and reduces job opportunities as companies look to have workers do more to avoid hiring more.

Vietnam has even mulled cutting sourcing costs to maintain its competitiveness.

The Ministry of Industry and Trade in Vietnam said in October that it's in the process of drafting legal amendments that would help domestic garment producers cut costs, and they're also asking for aid with things like administrative procedures to help ease some of the other obstacles to competition.

Chairman of the Vietnam Textile and Apparel Association Vu Doc Giang said the sector aims to export roughly $30 billion worth of textiles and garments in 2017, with the U.S. taking 50 percent of that total, followed by the EU with 20.5%, Japan with 19.5% and Korea importing 7.5% of Vietnam's garments and textiles.

For the year to October, the U.S. took in $12 billion worth of textiles and apparel from Vietnam, according to OTEXA data. That's a 6.06% increase over the same period last year, which puts Vietnam commanding 11.41% of U.S. textiles and apparel imports share.

Source: sourcingjournalonline.com- Dec 19, 2017

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All Eyes Seem to Be on the African Cotton Sector as the Region Gets More Investment

Interest in Africa as fertile ground for cotton cultivation is growing.

In the latest development, the International Islamic Trade Financing Corporation (ITFC), a member of the Islamic Development Bank (IDB) group, has signed a syndicated agreement of 100 million euros ($118 million) with the government of Cameroon and the Société de développement du coton (Sodecoton) as the executing agency for the export of cotton and the import of various agricultural inputs, according to media reports.

The agreement was signed by Louis Paul Motaze, minister of economy, planning and regional development, and IDB Group governor for Cameroon in a ceremony in Yaoundé, Cameroon.

"ITFC approved a total financing of $370.30 million for the republic of Cameroon since its inception in 2008, and 80 percent of the approved financing went to the agricultural sector. This financing is tailored to suit the financing needs of cotton farmers, and resembles ITFC drive to create impact on the people in our member countries," said Abou Jallow, general manager of operations at ITFC, in published reports.

The financing is in line with Cameroon's policy of promoting agricultural exports, especially cotton. Sodecoton will ensure the distribution of the fertilizers, in addition to buy from farmers their raw cotton and process into cotton fiber for exporting. Cotton is one of the country's main exports and an important revenue generating vehicle for the country.

Turning to Mozambique, the country said this week it was working with the Better Cotton Initiative (BCI) to take its domestic cotton sector to the next level with additional economic and environmental efforts.

The Cotton Institute of Mozambique (IAM), a government body that is responsible for the nation's cotton sector, tapped BCI to accelerate its cotton sustainability goals. In 2014, IAM and BCI agreed to a strategic partnership that upholds BCI criteria within Mozambique's national cotton growing regulations.

This move marked the first time a national government took on the Better Cotton standard—placing Mozambique on a better path to reach its goal of becoming the first country in the world to produce 100 percent Better Cotton.

Despite peaking at 182,000 tons in 2012, cotton production has remained considerably low over the past five years. Cotton yields in Mozambique have fluctuated, leaving many cotton processing plants unable to operate at capacity and properly plan for future production. While average yields have increased from 400 to 600 tons per hectare, sustainability challenges, including poor seed quality, loss of soil fertility and pest infestations have taken a toll on Mozambique's cotton crops.

With its BCI partnership, Mozambique is aiming to bring its cotton sector back on track, with better environmental practices and the opportunity to grow its global presence.

In November, four African cotton producers—Benin, Burkina Faso, Chad and Mali, known as the Cotton Four—urged World Trade Organization members to increase assistance for enhancing cotton production, improving local processing capacity and developing cotton-to-textile value chains in Africa and to curb domestic support to the cotton sector.

The Cotton Four presented the Cotton Roadmap Project, which seeks to promote the cotton sector by improving the local processing capacity and developing cotton-to-textile value chains at the regional level. The objectives of the project, developed by the C4 in cooperation with the ITC, reaches beyond the C4 region and encompasses the Western and Central African sub region.

This new initiative includes impact indicators covering local processing capacity aimed at creating a robust and competitive cotton-based industry in Africa.

Kai Hughes, executive director of the International Cotton Advisory Committee, said, "If we want to make a difference in Africa, it boils down to how we should increase cotton yield."

Hughes also stressed the role of cotton as a driver of economic growth and its contribution to food security and socio-economic and environmental sustainability.

WTO director-general Roberto Azevêdo noted that the number of projects in the cotton-specific sector in Africa has remained stable, and that the total value of commitments stands at $203.6 million, of which $113.7 million has already been disbursed.

Source: sourcingjournalonline.com- Dec 19, 2017

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NATIONAL NEWS

Northeast policy to aid trade with ASEAN

Govt. to work on improving FDI inflow

The new Industrial Policy being framed for the development of industries in the northeast would prove catalytic to the trade with southeast Asian nations, according to the government.

The department-related Parliamentary Standing Committee on Commerce, in its report on trade with Association of South East Asian Nations (ASEAN), said that the Secretary, Department of Industrial Policy and Promotion (DIPP) had informed it that the department would work with ASEAN nations to improve FDI inflow. "... it would be done through... Business Leaders' Forums, CEOs' forums and Invest India and by further intensifying present efforts in this direction.

The Committee was briefed about the new Industrial Policy being framed for the development of industries in the North East Region and how it would prove catalytic to the trade with ASEAN," the panel.

Of the $56 billion of FDI that came in in 2000-2017 from ASEAN countries, $54 billion was from Singapore. "[Secretary, DIPP] attributed reasons for the bulk investment to the Double Tax Avoidance Agreement between India and Singapore."

However, the Agreement has now been renegotiated and it is hoped that the skewed investment would be addressed."

The Committee said it was also told that outbound FDI from India to ASEAN countries is a substantial amount of $52 billion.

Source: thehindu.com- Dec 19, 2017

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Indian apparel industry performing positive despite global changes: Smriti Irani

In an attempt to woo the textile sector in the country comprising of a fair share of Micro, Small and Medium Enterprises (MSMEs), Textile Minister said that the sector is performing competitively despite the change in global markets.

The Minister said that the apparel sector in the country is performing at par with other counties in a scenario where there is ample of competition as well as challenge.

Also the country is finding its place as an emerging Fashion centre with an enormous raw material and manufacturing base on the country along with the talent in terms of designing, Irani added.

The Minister made the following remarks during the 22nd Apparel Export Promotion Council Export Wards in the national capital.

With regard to the government's commitment to ensuring a dialogue, Irani said that her office along with the Commerce and Industry Ministry is dedicated to address the different concerns put up by industry from time to time.

Suresh Prabhu, Commerce and Industry Minister, who was also present during the ceremony said that the sector can see itself in full support from the government, be it the push for growth, MEIS or trade agreements.

Also NITI Aayog CEO Amitabh Kant highlighted the importance of handholding the textile sector considering the fact that it involves a huge chunk of labour and contributes to employment generation in the country. Kant further said that it is to align further closely with AEPC to explore newer policies and framework whenever required for the sector.

The event was attended by officials from commerce and industry ministry, textile ministry and textile exporters from across the country.

Source: knnindia.co.in- Dec 19, 2017

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Outlook for manufacturing marginally low in Q3 of 2017-18

The statistics from FICCI's quarterly survey on manufacturing suggests slightly less optimistic outlook for the manufacturing sector in the Q3 (October- December 2017-18) as the percentage of respondents reporting higher production in third quarter has fallen in comparison to the previous quarter.

The proportion of respondents reporting higher output growth during the Q3 (October- December 2017-18) has fallen to 47 from 50 percent in Q2, noted the FICCI Survey. However, the percentage of respondents reporting low production has also come down to 15 percent in Q3 from 18 percent in Q2 (July-September 2017-18).

This less optimistic outlook for manufacturing in third quarter of current fiscal is attributed to factors like rupee appreciation impacting exports, issues with regard to implementation of the Goods and Services Tax (GST) and subdued demand in several sectors.

In terms of order books, about 42 percent respondents in Q3 (October- December 2017) are expecting higher number of orders as against 47 percent of Q2 2017-18, again reflecting subdued demand in economy.

Overall, the capacity utilisation in manufacturing remains low. The average capacity utilisation for the manufacturing sector is about 75 percent for Q2 2017-18 as reported in the survey which is similar to that of Q1 2017-18.

As was the case in Q1 2017-18, the future investment outlook remains pessimistic as 73 percent respondents in Q2 2017-18 reported that they are not planning any capacity additions atleast for the next six months.

Increasing imports, excess capacities, lower domestic demand from industrial sectors, high raw material cost, high interest rates are some of the major constraints which are affecting expansion plans of the respondents.

Some respondents also reported that they are waiting for the market to settle down after the GST.

Overall, in some sectors (like chemicals, food products, textiles, textiles machinery, leather and footwear, metal and metal products, cement and machine tools) average capacity utilisation has either remained same or declined in Q2 of 2017-18.

On the other hand, sectors including auto, paper and electronics and electricals have registered a rise in the average capacity utilisation over the same period.

On the exports front, the outlook seems to be less optimistic compared to previous quarters. Although, 48 percent respondents expect no change in the export levels, 32 percent expect exports to fall.

Appreciation of rupee has made the respondents apprehensive of exports outlook with majority of the respondents (around 57 percent) reporting that their exports were affected in Q2 due to rupee appreciation.

Outlook for the hiring sector remains subdued in near future as 85 percent of the respondents in Q3 2017-18 mentioned that they are not likely to hire additional workforce in next three months. This proportion is much higher than the previous quarter, where 73 percent of the respondents were not in favour of hiring additional workforce.

Also, average interest rate paid by the manufacturers has slightly come down over last quarter, showing signs of moderation, with an average rate of 10.5 percent; but the highest rate continues to be around 15 percent.

Based on expectations in different sectors, it is noted that high growth is expected in auto, capital goods, metal and metal products; moderate growth is expected in chemicals and pharmaceuticals, electronics and electricals, machine tools and textile machinery and low growth is expected in sectors like cement and ceramics, food products, leather and footwear and textiles and technical textiles in Q3 2017-18.

Meanwhile, the cost of production as a percentage of sales for manufacturers in the survey has risen significantly for 59 percent respondents in Q3 2017-18. This is primarily due to rise in minimum wages, raw material cost and cost of power.

FICCI's latest quarterly survey assessed the expectations of manufacturers for Q3 (October- December 2017-18) for twelve major sectors, namely auto, capital goods, cement and ceramics, chemicals and pharmaceuticals, electronics and electricals, food products, leather and footwear, machine tools, metal and metal products, paper products, textiles and textiles machinery.

Responses have been drawn from over 310 manufacturing units from both large and SME segments with a combined annual turnover of over Rs. 3 lac crore.

Source: economictimes.com- Dec 19, 2017

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Indian govt preparing standard procedure for FTA

The Government of India is preparing a standard operating procedure that will be followed while entering into any new free trade agreement (FTA), Union minister of commerce and industry Suresh Prabhu has said. Besides the European Union, the Indian government is currently in discussion with the Canadian and Australian governments for FTA.

“When we talk of FTA there are always trade-offs...as a country we have to find how a trade-off can benefit us,” Prabhu said at an event organised by the Apparel Export Promotion Council (AEPC).

Informing about the India-EU FTA talks, he said that he had a meeting with the EU minister to discuss various issues. He added that the EU is great market for India for apparel, which is an employment generating sector.

Speaking at the same event, textiles minister Smriti Irani said skilling would be among the focus area for the government and assured her ministry’s all support to garment manufacturers. “We are working on solving all the issues prevailing in the industry,” said Irani, adding that the ministry would work on every plight of the sector.

AEPC chairman Ashok Rajani said that exporters used to earlier receive 11.30 per cent incentives under Remission of State Levies (RoSL), but now it has come down to 6.5 per cent.

He added that exporters are facing a crisis while shipping their products abroad, especially the EU, which levies 12 per cent duty on Indian cotton while Bangladeshi and Vietnamese cotton are exempt from any duties.

Source: fibre2fashion.com- Dec 19, 2017

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Welspun develops technology to track source of cotton

Welspun India has emerged the first global textile entity to patent a fibre-tracking technology, turning adversity into opportunity.

The Mumbai-based world's second largest terry towel producer developed the technology after a large customer terminated a contract following mislabelling of provenance of fibre in certain consignments.

The technology enables it verify the origin of cotton at each stage of the manufacturing process to ensure an authentic final product, chief executive Dipali Goenka said.

Welspun had partnered with global forensic science company Oritain Global to develop the solution, Wel-Trak, using RFID and customised software. It involved an investment of around $6 million (38.5 crore) and more than six months of rigorous efforts.

Apart from deploying this solution in several cotton growing areas across the globe, Welspun India is now looking at helping cotton farmers grow better quality cotton and also encourage them try organic cotton.

"Adversities happen in the world of business. When we looked into it (the crisis with the large customer), we felt that there were gaps. Today, we are proud to say we have Wel-Trak, the patented process, which helps us track the cotton to its source," Goenka told ET.

Being India's largest consumer of cotton, Welspun is currently working with farmers at various cotton growing locations across the country to help them adopt better quality cotton crops, said Goenka. The company is "guiding and mentoring the farmers on right practices, right seed and right pesticides".

Cotton farmers are being mentored on the kind of crops to grow after cotton harvest so as to help them improve the overall soil nutrients like nitrogen.

"Currently, we are guiding over 3,000 cotton farmers in the Wardha region near Nagpur and the Nakhatrana region near Bhuj and we are aiming to take it to at least 10,000 cotton farmers soon," she said, adding that the company was looking to cover at least a fifth of farmers supplying cotton to it by 2021.

On its end-products, Welspun would provide details of not just the origin of the cotton but also the practices adopted by the farmers who had supplied that cotton, using the fibre-tracking technology.

Efforts are being stepped up to forge more alliances with global hospitality and healthcare giants for supply of home textile products and strengthening brands like Christy, Hygrocotton and Spaces, she said.

Welspun is also investing on augmenting integrated manufacturing infrastructure for ancillary units for intermediates including trims and packaging material.

Having crossed $1 billion in revenue for the first time last fiscal year, Welspun India is confident of achieving its target of doubling revenue to more than $2 billion by 2022, said Goenka.

Source: economictimes.com- Dec 19, 2017

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Poll setback in Gujarat's cotton belt worries Maharashtra BJP

The ruling Bharatiya Janata Party (BJP) in Maharashtra is worried about the electoral reversals the party suffered in rural Gujarat, especially the cotton-growing parts. Results of the Gujarat assembly elections announced on Monday showed the Congress made significant gains in the Saurashtra-Kutch region and north Gujarat where cotton and groundnut are the main cash crops.

In the belt that accounts for 54 assembly constituencies, the BJP won only 23 seats, 12 fewer than in 2012, while the Congress took 30 seats, 14 more than in 2012. And across the state, the BJP won only 55 of the 127 rural and semi-urban seats as against 68 by the Congress.

Kishore Tiwari, chairman of the Maharashtra government-appointed Vasantrao Naik Shetkari Swawalambi Mission—a task force formed to solve Vidarbha's agrarian crisis— and Vidarbha-based farm activist, said the Maharashtra government should learn from the setback in rural Gujarat.

"The results in cotton-growing parts of Gujarat should be a matter of concern for Prime Minister Narendra Modi and the BJP-led government in Maharashtra. Apart from the low remunerative price for cotton and the severe spell of pink bollworm attack on the crop that has caused damages worth Rs10,000 crore to cotton growers in Maharashtra, the government also needs to think about providing timely access to institutional credit, high cost of production, and bureaucratic bottlenecks that cause delays between the programmes and their delivery before the BJP suffers a similar political setback here as well," Tiwari told *Mint*.

A BJP minister in Maharashtra, who campaigned for the party in rural Gujarat including parts of Saurashtra-Kutch region, said the Congress had gained despite the BJP government in Gujarat announcing in October a bonus of Rs500 per quintal for cotton over and above the minimum support price (MSP) of Rs4,020 per quintal for the small staple variety, Rs4,270 for the medium staple, and Rs4,320 for the long staple.

"The scale of distress was apparently bigger and more serious than we imagined. What is worrying is that the cotton growers in Maharashtra are facing exactly the same problems as their counterparts in Gujarat—a low

remunerative price and a widespread attack of pink bollworm on Bt cotton. The bonus of Rs500 does not seem to have helped much in Gujarat and that means the distress level among cotton growers in Maharashtra, who have not been given such bonus, could be higher," said the minister requesting anonymity.

Gujarat is India's top cotton producing state, accounting for nearly 25% of the national yield. According to the estimates of the cotton industry and the state government, the state is likely to produce 50.50 million quintals of cotton in the 2017 kharif season. Cotton is grown over 2.7 million hectares in Gujarat. Though Maharashtra has larger acreage under cotton—normally 3.8 million hectares but 4.2 million hectares this year—it has lower productivity and was estimated to produce nearly 40 million quintals at the start of this kharif season.

But activists and even agriculture ministry officials in Maharashtra now say the pink bollworm attack has damaged nearly 40% of the estimated crop. "The damage in some parts like Vidarbha is more than 50% but it averages out to around 40% across all cotton growing parts of the state," said a senior agriculture ministry official.

The regions of Vidarbha and Marathwada account for nearly 65% of Maharashtra's total cotton yield. Parts of North Maharashtra and Khandesh also grow cotton. Of the state's 13.6 million farmers, nearly 4.5 million grow cotton, as per the state's agriculture census.

For the BJP, the cotton growing regions are also politically significant—some 65 of its total 122 members of the legislative assembly have been elected from Vidarbha, Marathwada, North Maharashtra and Khandesh. Chief minister Devendra Fadnavis himself is from Vidarbha and so is senior BJP leader and Union minister of transport and shipping Nitin Gadkari.

Farm activists and politicians claimed that cotton crop grown over nearly 1.3 million hectares has been damaged by the attack of the pink bollworm because the Genetically Modified (GM) variety of Bollgard II has lost much of its resistance to pest attacks. In Yavatmal district alone, where cotton is cultivated over 4.5 lakh hectares —the largest area under cotton cultivation in India —bollworm attack has damaged between 50-80% of the crop, according to Tiwari.

Dhananjay Munde, Nationalist Congress Party leader and leader of the opposition in the Maharashtra legislative council, has demanded compensation of Rs25,000 per acre for cotton growers hit by pink bollworm infestation. The opposition has already mounted an intense attack on the BJP-led government during the ongoing winter session in the ongoing assembly over this issue.

The BJP minister quoted above said cotton growers in Gujarat, Andhra Pradesh and Telangana too were complaining of pink bollworm attacks. “Farmers in Gujarat have spoken through their vote against us. We need to take some corrective measures in Maharashtra now,” said the minister.

Source: livemint.com- Dec 20, 2017

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Govt working on strategy to boost share of services exports, says Prabhu

The government is working on a strategy to boost share of services in total exports from the country, said Commerce & Industry Minister Suresh Prabhu.

The Indian industry needs to identify the markets that they want to export to and the Department of Commerce would work on market access issues there, the Minister said at a meeting on the services sector organised by industry body CII.

Prabhu further added that the World Trade Organisation (WTO) needed to focus on the most relevant issues in the world today and the mini-ministerial that India would organise in a few weeks’ time for top countries will deliberate on such issues.

“In my opinion services should be one of the most critical drivers of the growing economy and must be brought to the forefront,” Prabhu said.

The country needs to identify new services which have tremendous export potential such as healthcare and financial services and within that develop new products which could be exported.

The Minister suggested that sectors such as IT should look at developing newer markets such as Latin America as markets like the US and Europe were becoming saturated.

The services sector contributes 60 per cent of India's GDP, 30 per cent of India's exports and just 30 per cent of India's jobs.

According to Uday Kotak, Chairman, CII National Council on Services, measures need to be taken to step up the share of jobs to 40 per cent and that the service sector become the "job creation engine" for the Indian economy.

Source: thehindubusinessline.com- Dec 20, 2017

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Exporters seek extension for updating shipment details

The knitwear industrialists here has raised concern that the deadline for updating Export Data Processing and Monitoring System (EDPMS), December 31, could not be met and demand to extend the deadline.

If the RBI fail to extend the time, hundreds of the exporters would be on 'caution list' and subsequently, they will not be able to export goods. Tirupur Exporters' Association on Monday will meet executives of the banks to discuss the issue.

In order to encourage export, the government provided duty drawback incentive, at rate of around 7.5% of the total export value during pre-GST period. It was reduced to 2.5% now.

Many export firms have indulged in malpractices. They used to claim duty drawback by over pricing goods. So, the government introduced the EDPMS, which mandates that the exporters should not keep shipping bills open for more than two years from the date of shipment.

Otherwise, the default exporters will feature in 'caution lists' and then, those companies would face various restrictions including non-clearance of goods at the ports.

RBI directed that for the exports done before December 31, 2015, the exporters should obtain Bill Reconciliation Certificate (BRC) from banks before end of this December.

"Many a times, the buyers would pay lesser than what was billed because of many reasons including delay in sending goods, quality and transportation issues. It would lead to shortage of foreign exchange.

If the exporters intimate the banks about the shortage with valid reasons, the banks would update the same in online of EDPMS and provide them BRC," said T R Vijajakumar, general secretary of Tirupur exporters' association.

But now, despite majority of the knitwear exporters have submitted their reasons and documents to the banks to get BRC, the banks failed to update them. "We learned that staff crunch in the banks was one of main reasons for the delay," said Vijayakumar.

A higher officials associated with a nationalised bank told TOI, "The staff crunch in the banks was reality and the exporters have urged the banks to concentrate more on the EDPMS and take steps to finish the updating within time."

Source: timesofindia.com- Dec 18, 2017

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