

**IBTEX No. 104 of 2018**

**May 21, 2018**

USD 68.12 | EUR 80.04 | GBP 91.47 | JPY 0.61

<b>Cotton Market</b>		
<b>Spot Price ( Ex. Gin), 28.50-29 mm</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
19720	41250	77.61
<b>Domestic Futures Price (Ex. Gin), May</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
20900	43718	82.25
<b>International Futures Price</b>		
NY ICE USD Cents/lb ( July 2018)		85.03
ZCE Cotton: Yuan/MT ( May 2018)		18,055
ZCE Cotton: USD Cents/lb		109.25
<b>Cotlook A Index - Physical</b>		92.1
<p><b>Cotton guide:</b> The news headline this morning says, China is likely to increase imports of farm products including soybeans, cotton and corn from the U.S. after the Asian country agreed to increase purchases of U.S. goods and services. The effect is largely is seen on many agro commodities: Cotton in China ZCE platform is up by close to 4% limit up, ICE cotton is up by 1.60% and trading near 88 cents. The other markets like BMD palm is up along with Soybean, Soy oil trades at CBOT are up closed to 1%. The corn prices are also positive this morning.</p> <p>In the recent past market is highly susceptible to news flows than its fundamental updates. We are close to 88 cents for ICE cotton and in the previous week it made a high of 88.08 cents. By any means if the high is cleared then market may remain supportive to move towards early 90s cents per pound. Incidentally, the fundamental factors are also supporting cotton price to trade positive. Besides the above news, crop damage in China due to heavy hailstorm has changed the likely output in the country.</p>		

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Market is foreseeing crop loss of 4 to 6% this year in China. This may have significant impact on the domestic cotton price in China while reassuring the effect will be felt on the global cotton market in the form of imports. Further from the USA, inadequate rain in the Texas region is also putting a question mark on the ICE future and US cotton. We think if the rain fails to be adequate then then crop scenario in the country could be affected. In fact the last month USDA preliminary estimates suggests the US cotton production to be around 19.50 million bales lower than the previous month estimates.

On the trading front in the US the volumes have increased marginally on last Friday at 43K contracts highest in last five trading sessions. In the meanwhile, open interest was higher at 287,314 contracts, up 860 contracts. The all-time-ever high was 320,744 contracts on January 25th and we could be headed there. From the china the recent news is pushing ZCE cotton price higher with heavy trading volume and open interests. Also the Chinese State Reserve Auction daily turnover rate was 96.83 percent: 30,002.136 tons (137,800 bales) offered; versus 29,051.083 tons (133,432 bales) sold highest in the series. The cumulative turnover rate is 57.19 percent (offered versus sold). The Cumulative sales are 3783698 bales and the estimates remaining reserves are 20,358,425 bales.

On the domestic front, the last week average spot price was around Rs. 41700 to Rs. 42000 per candy ex-gin. The arrivals were steady around Rs. 69K bales. On the futures front, the May contract ended at Rs. 20900 per bale by Rs. 280 from previous close. We believe market will see a gap up today and the fresh trading range would be Rs. 20760 to Rs. 21200 per bale.

#### **Currency Guide:**

Indian rupee depreciated by 0.2% to trade near 68.15 against the US dollar. Rupee has tested the lowest level since January 2017 pressurized by concerns about impact of higher crude oil price on inflation and trade deficit. The recent political wrangling in Karnataka also pressurized rupee.

The US dollar index has tested the highest level since Dec.2017 supported by higher bond yields and gap between monetary policy of Fed and other central banks. Rupee may continue to remain under pressure until we see a significant correction in crude oil price. USDINR may trade in a range of 67.8-68.4 and bias may be on the upside..

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

**Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:**

Indicative Prices of Cotton Yarn in China		
Date: 19/05/2018 <b>Prices in US\$ FOB</b>		
<b>Country</b>	<b>20s Carded</b>	<b>30s Carded</b>
India	2.75	3.05
Indonesia	2.56	2.85
Pakistan	2.38	2.77
Turkey	3.10	3.30
Source: CCF Group		

**China yarn**

Cotton yarn price obviously rose in the second half of the week and so did polyester yarn. Rayon yarn showed stable. Polyester/cotton yarn inched up, cotton yarn obviously rose while polyester/rayon yarn showed stable..

**International yarn**

The cotton yarn market has been sluggish in Pakistan. Downstream manufacturers have bought only to cover their pressing requirements. Spinners in Turkey have complained of a lack of liquidity. Creation of another new textile complex, intended to increase capacity, has been mooted in Turkmenistan. Garment export earnings in Bangladesh continued to show growth during April.

**Source: CCF Group**

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## INTERNATIONAL NEWS

### **US temporarily suspends tariffs on Chinese products**

The Trump administration won't impose tariffs on Chinese products for now, after the two nations made progress on trade issues during two days of talks, Treasury Secretary Steven Mnuchin said.

"We're putting the trade war on hold. So right now, we have agreed to put the tariffs on hold while we try to execute the framework," Mnuchin said on "Fox News Sunday."

President Donald Trump has threatened to impose tariffs on as much as \$150 billion in Chinese imports to punish Beijing for allegedly violating American intellectual property and unfair trade practices. China vowed to retaliate with tariffs on everything from soybeans to airplanes.

Mnuchin's remarks will be a relief to investors, who had feared the world's two biggest economies were on the brink of an all-out trade conflict. The International Monetary Fund has warned that a global trade war would undermine the broadest global upswing in years.

Asian stocks were set to start the week higher and S&P 500 contracts gained 0.7 percent, an unusually large gain for early Asian trading.

### **Legal Tools**

Even so, Mnuchin said Trump "can always decide to put the tariffs back on if China doesn't go through with their commitments." Other members of the administration said duties are still an option if needed to get China to change its practices.

"As this process continues, the United States may use all of its legal tools to protect our technology through tariffs, investment restrictions and export regulations," U.S. Trade Representative Robert Lighthizer said in a statement. "Real structural change is necessary. Nothing less than the future of tens of millions of American jobs is at stake."

Asked on CBS's "Face the Nation" Sunday whether Trump has taken the threat of tariffs off the table, Larry Kudlow, the president's top economic adviser, said, "I don't think we're at that stage yet."

"Tariffs are part of any negotiation, and tariffs maybe have to be part of any enforcement," Kudlow said. "You cannot do this kind of major change without using everything that's in your quiver."

### **Switching Positions**

It's also not clear how long any truce will last. Trump has often switched his position on trade issues. He has frequently declared that talks on a new North American Free Trade Agreement are going well, for example, only to threaten again to withdraw from the pact.

Mnuchin's comments came after the two nations on Saturday released a joint statement in which China proposed to "significantly increase purchases" of U.S. goods.

The statement released by the White House didn't place a dollar figure on the increased purchases by China, or address a comment on Friday by Kudlow suggesting that Beijing had agreed to slash its annual trade surplus with the U.S. by \$200 billion. The U.S. had a \$376 billion trade deficit in goods with China last year. The shortfall was \$337 billion when services are added.

### **Rough Estimate**

Kudlow on Sunday downplayed the significance of the \$200 billion figure, saying on CBS that "maybe I got ahead of the curve" and during a separate interview on ABC's "This Week" that "both sides have used that as a rough ballpark estimate."

Vice Premier Liu He, a special envoy of China's President Xi Jinping, told reporters in Washington that talks with Mnuchin, Secretary of Commerce Wilbur Ross and Lighthizer ended with a pledge not to engage in a trade war, according to a Xinhua news agency report.

“We made very meaningful progress and we agreed on a framework. The framework includes their agreement to substantially reduce the trade deficit by increasing their purchases of goods,” Mnuchin said. He said the two sides have agreed to numerical targets but he didn’t want to disclose them.

The Chinese are offering to make structural reforms such as lowering tariffs and other import barriers that will allow the U.S. to export “billions and billions” of additional goods to China, Kudlow said on ABC.

### **Positive Mood**

“We made a lot of progress here in Washington and built on what happened in China,” Kudlow said. “The president is in a very positive mood about this. I myself am very encouraged.”

The joint statement between the two nations said both sides agreed on “meaningful increases” in U.S. agriculture and energy exports and that the U.S. will send a team to China to work out the details. Kudlow said Ross is going to the Asian nation and will be “looking into a number of areas where we’re going to have greatly, significant increases,” including energy, agriculture and manufacturing.

Even so, U.S. lawmakers will probably have pointed questions about what the administration has agreed to give up in exchange for a truce with China. In a major reversal, Trump instructed his administration last week to come up with a penalty against Chinese telecom-equipment maker ZTE Corp. that allows the company to stay in business. The Commerce Department had banned ZTE from receiving imports from its U.S. suppliers, a move that crippled ZTE.

### **‘Real Backlash’**

The administration would face a “real backlash” if it offers concessions to ZTE as part of the trade talks, Republican Senator Lindsey Graham told Fox News.

Kudlow said on ABC that while there may be “perhaps some small changes around the edges” in U.S. action on ZTE, there will still be big fines and other remedies and “do not expect ZTE to get off scot-free. It ain’t gonna happen.”



During the trade talks, the delegations discussed expanding trade in manufactured goods, and each side agreed to strengthen cooperation on intellectual property. China will “advance relevant amendments” to its laws and regulations in that area, including its patent law, the White House said.

“If we can fix the technology stealing, which is so important in this China story, and we can get these market openings, this will be good for American export sales,” Kudlow said on ABC. “I think it’s good for Chinese growth. We will have come a long way.”

The White House joint statement didn’t mention additional U.S. demands, including a halt to subsidies and other government support for the Made in China 2025 plan that targets strategic industries from robotics to new-energy vehicles. China had made its own demands, including giving equal treatment to its investment, and warned U.S. companies may be excluded from measures to open its economy.

“This round of talks is generally positive,” said Li Yong, a senior fellow at the China Association of International Trade in Beijing, adding that the U.S. still may take a harder line on reviews of Chinese investments. “Trade tensions will ease gradually, but there still could be frictions.”

Source: [economictimes.com](http://economictimes.com)- May 21, 2018

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## **Cambodian exports to US up by 25%**

Cambodian exports to the United States witnessed a sharp increase during the first three months of the year after the US renewed its Generalised System of Preferences in March. These exports were worth \$903 million during the first quarter of the year, compared to \$719 million during the same period in 2017 – an increase of more than 25.5 percent.

Bulk of these exports comprised travel goods, a category that has attracted a large number of investors after Cambodia was granted duty-free benefits for travel goods exports under the US’s GSP programme in 2016. Orders of garment and footwear products have remained stable.



On March, US President Donald Trump signed the Consolidated Appropriations Act, which extended the country's GSP programme, a scheme established in 1974 to promote economic growth in the developing world by allowing access to duty-free privileges for least developed countries.

The extension will expire in December 2020.

Source: fashionatingworld.com- May 19, 2018

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### **Pakistan: US unfair international trade practice squeezes potential of cotton growers, exporters**

United States' sensitive subsidies are an unfair international trade practice and squeezes potential of cotton growers and exporters while export potential and cost effectiveness of Pakistan's traders remained under pressure that almost keep them out of international market.

"Around \$755 billion are allocated for subsidies for agriculture mostly of the amount for cotton growers in US, senior member Pakistan Yarn Merchant Association, Ghulam Rabbani said.

The United States was committed to a deal on cotton in long-running Doha trade talks, but has not yet reached an agreement, he opined.

Rabbani said major cotton producers were facing hardship due to USA's stubborn attitude towards not cutting subsidies rather demand world to end subsidies on agriculture.

"This is unfair practice and Pakistan is among the cotton producing countries where growers are facing high cost and inputs cost besides high bank rates", he added.

Textile and spinning sector has imported around 1.6 million bales this domestic crop season to meet shortfall and keep wheel of the industry moving.

He said the drop was related to higher production costs and an uncertain economic environment.

World Trade Organisation members agreed in Hong Kong in 2005 to cut subsidies on cotton faster and more deeply than supports on other agricultural goods. But that cotton deal is dependent on a broader agreement on agriculture.

According to Cotlook estimates, 2017-18 world cotton production remained at 27,900,000 tonnes verses 24,396,000 in 2016-17.

“There was no settlement in cotton, our intention that US of fully meet commitments under December 2005 Hong Kong ministerial declaration with respect to cotton”, but all went unmet, he added.

Rana Abdul Sattar, senior executive of Pakistan Cotton Ginners Association said cotton had been one of the most difficult issues in the Doha talks, launched in late 2001.

Low prices, high production costs and falling demand because of the global economic crisis forced an increase in US cotton subsidies under current programmes, although many farmers are switching to other crops.

By piling hundreds of billions of dollars into commodity markets they tripled and quadrupled open interest and eventually forced prices to explode to the upside, often in the face of fundamental reasoning.

US government has started attempt to provide more subsidies to cotton farmers in a bill designed to provide disaster relief to Florida, Texas and Puerto Rico.

Around \$81 billion disaster relief bill would make seed cotton eligible for commodity subsidies linked to crop prices.

Source: dailytimes.com.pk- May 20, 2018

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## **U.S. sanctions on Iran threaten vital Afghanistan trade project**

U.S. President Donald Trump's decision to pull out of the Iran nuclear accord and re-impose sanctions on Tehran threatens to derail a project to help build Afghanistan's economy, endangering a key goal of the U.S. strategy to end America's longest war.

The Indian-backed Chabahar port complex in Iran is being developed as part of a new transportation corridor for land-locked Afghanistan that could potentially open the way for millions of dollars in trade and cut its dependence on Pakistan, its sometimes-hostile neighbor.

Building Afghanistan's economy would also slash Kabul's dependence on foreign aid and put a major dent in the illicit opium trade, the Taliban's main revenue source.

But Trump's decision to re-impose sanctions on Iran and penalize financial institutions for doing business with Tehran is clouding Chabahar's viability as banks, nervous they could be hit with crippling penalties, pull back from financing.

"President Trump's decision has brought us back to the drawing board and we will have to renegotiate terms and conditions on using Chabahar," a senior Indian diplomat said. "It is a route that can change the way India-Iran-Afghanistan do business, but for now everything is in a state of uncertainty."

The White House did not respond to requests for comment.

Launched in 2016, the joint Iran-India-Afghanistan Chabahar project already was facing holdups. It has yet to see significant traffic apart from some containers of donated wheat from India, and the first shipments of Afghan dried fruit to India are not expected before July.

At least three contracts to build infrastructure at the port now have been delayed, with two Chinese companies and a Finnish group left hanging while bankers seek clarity from Washington before approving guarantees, a person close to the project said.

In addition, Afghan traders, who were hoping for an alternative to Pakistan's port of Karachi, now find themselves cut off from funding and forced to rely on the traditional hawala money transfer system, which is insufficient on its own to transform an economy. Hawala is a trust-based system commonly used in Afghanistan that involves the movement of funds between agents in different countries.

"We know our correspondent banks would not let us pay for imports coming through that port," said a senior executive at one major Afghan lender.

Chabahar is among a number of projects of transport and energy networks projects designed to boost Afghanistan's trade and lay the foundations for a mining industry capable of exploiting its billions of dollars in untapped mineral reserves.

Bypassing the border with Pakistan, which last year was closed for some 50 days over various disputes, Chabahar is seen as a way for Afghanistan to consolidate its relationships with India and other regional powers.

"The only way to get India more involved" in Afghanistan's economic development "is through Chabahar," said Barnett Rubin, an expert with New York University's Center for International Cooperation and a former adviser to the State Department and the United Nations. "Our Iran policy is headed for a train wreck with our Afghanistan policy."

## **FOREIGN AID**

Some 17 years after the U.S.-led invasion to oust the Taliban from power, Afghanistan remains one of the world's poorest countries, highly dependent on foreign aid.

Apart from illegal opium exports estimated at some \$2 billion by the International Monetary Fund, its main products are dried and fresh fruits, and carpets, none of which amount to more than a fraction of the value of the drugs trade.

Initially Afghanistan would export agricultural produce – such as pomegranates and grapes - through Chabahar, utilizing a section of a road India paid for and then an extension to the Iranian border that New Delhi built, experts said.

Eventually, those exports could expand to mineral resources, something Trump has expressed an interest in gaining for U.S. firms. For India, this would mean using a planned railroad to Chabahar to export iron ore from two tracts at the Hajigak iron mine in central Afghanistan that it won the rights to exploit, the experts said.

“The economic piece is really important to get a glimmer of hope for Afghanistan to move beyond a land-locked, poppy-based economy. We are now shooting that in the head,” said Thomas Lynch, a National Defense University expert and a former U.S. Army officer who advised the chairman of the Joint Chiefs of Staff on South Asia policy.

“There is no other legitimate and reliable way to do that. You can’t do it by air, you can’t do it through Pakistan because they just extort for everything they do,” said Lynch. “The lifeline runs through Chabahar.”

In addition, by hindering the development of Chabahar, the United States will leave Afghanistan dependent on Pakistan, historically its main trade partner and outlet to the world.

That would undermine another Trump goal of pressuring Islamabad to shutter Afghan insurgent sanctuaries on its side of the border and force the militants into peace talks.

Afghan officials have lobbied hard for exemptions to the sanctions for Afghan companies operating through Chabahar without success and are waiting for clarity from Washington.

“Now the uncertainty is that we don’t know what’s going to happen with Chabahar,” said Atiqullah Nusrat, Chief Executive of the Afghanistan Chamber of Commerce and Industry. “We haven’t heard anything so we have to wait and see what happens.”

Source: reuters.com - May 20, 2018

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## **Indonesia needs to enhance textile competitiveness to aim \$75 bn exports by 2030**

Indonesia is ranked among the top ten largest textile producing countries. However, the nation is far away from threatening China's dominant position. Whereas China controls about 35 per cent of global textile markets, Indonesia controls only about 2 per cent.

The Indonesian government targets to increase the nation's value of exported textiles and garments to \$75 billion by the year 2030, implying that this industry would contribute around 5 per cent to global exports.

The recent TheInsiderStories data points out that Indonesia has cheaper labour than other textile producing countries.

For example, Vietnam as one of its main competitors in ASEAN has the minimum wage at the average of \$122-176, as compared to Indonesia at the range of \$109-274. Notably so Indonesia's textiles industry in the past had contributed significantly to Indonesia's economy, representing 10.1 per cent of the total export.

Back in 2005, the textile industry, which employs around 1.2 million people in 4,500 factories, became the biggest net exporter with a surplus of around \$7 billion. Previously in 2004, Indonesia was the biggest textile and clothing exporters in Southeast Asia.

Globally, the country reached the ninth rank among the world's leading clothing exporters and tenth among textiles exporters. But the recent reports trigger a bit of complexity and the challenging scenario for the Indonesian textile industry as the industry has remained uncompetitive due to its high dependency on imported raw materials, high costs of energy and logistics, and market access.

As a matter of fact, during the last five years, the Indonesian textile industry has been declining, despite its increasing demand at the global market. During the textile bullish market in 2016, Indonesia's textile market share only reached 1.8 per cent of the world textile market, which has slipped to 1.6 per cent today.

The country has lost this opportunity to Bangladesh and Vietnam, as its market share is far below Vietnam at 5 per cent and Bangladesh at 7 per cent. Last year, Indonesia only managed to realise total textiles exports at \$12.53 billion, far lower than Vietnam which managed to reach at the total \$30 billion. Such figures reflect that cheap labour alone can't do wonders to attract investments, the country needs to brace up on aspects too to win over global trust.

### **Factors restricting growth**

The country needs to work on four factors, which include energy cost. Electricity tariff in Indonesia is more expensive than Vietnam and Bangladesh. Indonesia's electricity tariff is about \$0.12 per kWh, much higher than Vietnam and Bangladesh which is only \$0.7 and \$0.5, respectively. Secondly, Indonesia is still dependent on imports of textile raw materials, so it cannot get cheap raw materials.

The high dependence on imports has also made Indonesian textile industry highly susceptible to the changes in the global economy. Indonesia currently imported almost 100 per cent of cotton as Indonesia's cotton production is only 4 per cent of the total demand. Indonesia imports more cotton from America, Brazil, and Australia.

The textile industry in Indonesia is also hampered by high logistics cost, which is the highest in Southeast Asia.

Logistics cost including transport, warehousing, and inventory in Indonesia has so far accounted for 24 per cent of the country's GDP.

The country's logistics cost-to-GDP ratio is far higher than those of neighbouring countries, including Thailand and Malaysia where the ratio reached 15 per cent and 13 per cent, respectively.

Indonesia is also poorly scored in the World Bank's 2016 Logistics Performance Index (LPI), as it got the 63rd rank out of 163 countries. Indonesia's logistics infrastructure, international shipment, and logistics competence are elements scored the least.



Lastly, Indonesian textile exports are also hampered by market access. When exporting to the European Union, Indonesian products are still subject to import duty in the range of 11 per cent.

Meanwhile, Indonesia's competitors, namely Vietnam, Bangladesh, Thailand, and Ethiopia, enjoyed 0 per cent of import duty from EU. If Indonesia wants a greater foreign access, it needs to work on these four major factors to remain competitive and win global textile contracts.

Source: fashionatingworld.com- May 20, 2018

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### **Bangladesh exports to Turkey, once a promising market, set to fall for 4th yr**

Country's export earnings from Turkey has continued to decline since 2013-14 fiscal due to supplementary duty barrier on apparel products imposed by Turkey as safeguards to its local industry.

Bangladesh's export to Turkey in the first 10 months of the current 2017-18 fiscal fell by 19.35 per cent to \$448.93 million from \$556.66 million in the same period of FY17, according to Export Promotion Bureau data.

EPB officials said 10-month export data indicate that Bangladesh's earnings from Turkey would fall for the fourth year in the current fiscal year as the total earning in FY18 would be much lower than that of \$631.63 million in FY17.

Exporters said that Bangladesh had lost its competitiveness in the Turkey market as the country imposed safeguard duty on apparel imports in 2011.

Turkey was a very promising market for Bangladesh and only government initiatives could help regain the potentials of that market, they said.

Despite initial safeguard duty, exports to Turkey continued to grow until 2013-14 fiscal when the country increased the rate of safeguard duty, resulting in the decline in FY15, said Shahidul Azim, former vice-president of Bangladesh Garment Manufacturers and Exporters Association.

‘Turkey was a very good market for Bangladesh. A good quantity of apparels used to be re-exported to Russia from Turkey. Now they have stopped imports of almost all types of apparels to protect their local industry,’ Shahidul said.

Turkey imposed the safeguard duty at a rate of 17 per cent in September 2011 on apparel imports from the least developed countries, including Bangladesh.

Following the imposition of safeguard duty, exports to Turkey declined by 24.23 per cent to \$551.87 million in the FY12 from \$724.45 million in the FY11, while the export in the FY13, rose by 15.57 per cent to \$637.81 million. Country’s export to Turkey in the FY14 grew by 34.23 per cent to \$856.19 million.

According to EPB data, export earnings from Turkey in the FY15 fell by 15.80 per cent to \$720.88 million from \$856.19 million in the FY 14.

Data showed that export earnings from Turkey declined by 8.18 per cent to \$661.88 million in the FY16 while the earnings fell by 4.57 per cent to \$631.63 million in the FY17.

‘I attended the hearing on safeguard duty on importing apparels from least developed countries, including Bangladesh, held at Istanbul. Later on, Bangladesh’s exporters started losing their competitiveness in the market,’ said Mohammad Hatem, vice-president of the Exporters Association of Bangladesh.

He said that it would not be possible for Bangladesh to regain the market share in Turkey if the governments of the two countries did not sign any agreement in this regard.

Turkey is also a major readymade garment producing country and a competitor of Bangladesh on the global market with around \$17 billion annual clothing export and nearly \$10 billion textile export.

Source: newagebd.net- May 20, 2018

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## **Nigeria upgrades value chain**

Nigeria is strengthening the competitiveness of the cotton value chain through enhancing capacities of stakeholders, developing and improving market infrastructure, providing jute bags to prevent polypropylene contamination, improving and upgrading ginneries and extending services/training of farmers and farmers' empowerment.

The investment climate and the fiscal regime will be removed. Tax on equipment and inputs will be removed. An industry wide tax holiday will be applied.

The development of the sector will be fast tracked across the entire value chain. Capacity building and skills development will be attended to. An export promotion strategy will be devised.

Over 20 tons of certified cotton seeds as well as 1.5 tons of foundation seeds will be released to cotton farmers in the country for the farming season.

The textile industry was one of the booming sub-sectors of the Nigerian economy in the post-independence years.

Driven by locally grown cotton and with a huge demand for clothing by a fast growing population, it provided direct and indirect employment to hundreds of thousands of Nigerians for several decades.

Between 1985 and 1991, Nigeria's textile industry recorded an annual growth of 67 per cent.

In that period textile companies numbered around 180, employing about a million people, and accounting for over 60 per cent of the textile industry capacity in West Africa.

Source: fashionatingworld.com- May 19, 2018

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## **Concrete steps required to increase Pakistan-Spain trade**

“Trade between Pakistan and Spain has been hovering around one billion dollar and concrete steps are needed to exploit untapped potential by encouraging frequent exchange of trade delegations and organising single country exhibitions in each other countries” , said Ambassador of Spain to Pakistan Carlos Morales.

Pakistani exports had recorded a phenomenal increase of 44 percent immediately after the grant of GSP plus status to Pakistan by European Union (EU) in 2014. The country’s exports are restricted to textile and hence it should diversify its export base to further increase its exports particularly in Information Technology and food sector.

It produces a large number of agricultural products but lacks processing and value-addition.

Source: fashionatingworld.com- May 19, 2018

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## **Trade min. attends signing of agreement on Egyptian cotton brand**

Trade and Industry Minister Tarek Kabil attended on Sunday the signing ceremony of an agreement to manage rights of the "Egyptian Cotton" brand.

The three-year deal was inked by the ministry, the Egyptian cotton exporters association and Cotton Egypt Association. The agreement is meant to promote for products made of Egyptian cotton on local and international markets, Kabil said.

Under the agreement, a special unit will be formed to ensure the optimal use of the brand and to sign deals with international textile companies on that score, he added. Moreover, a committee will be set up to approve and follow up the implementation of the marketing plan, Kabil noted.

Source: egypttoday.com- May 20, 2018

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## NATIONAL NEWS

### **Textile industry wants govt. to relax cabotage rule**

#### ***It will reduce the shipping costs of cotton, says SIMA***

The textile industry in the south expects the Union government to soon come out with relaxation of cabotage rules for movement of cotton from Gujarat to Tamil Nadu by sea.

This is one of the long-pending demands of the industry here to bring down the transport cost of cotton.

#### **Coastal movement**

In a recent representation to the Union government, the Southern India Mills' Association (SIMA) said the Ministry of Shipping had taken several steps to enable coastal movement of cotton from Gujarat to Tamil Nadu.

Textile processing facilities are spread across clusters in different States and hence, transport cost is the key to determining the cost competitiveness of the industry.

“Against this background, we request you to kindly relax the cabotage rule in respect of cotton transport from either Mundra or Pipav Ports to Thoothukudi, Kochi, Chennai and Krishnapatnam Ports,” the association said.

The southern States account for almost 60% of spinning capacity in the country.

However, substantial volume of raw material —cotton — comes from Gujarat and Maharashtra. The industry sees scope for 50% reduction in transport cost if the cotton is moved by ship instead of lorries as done now.

“Every year, mills in Tamil Nadu buy 60 lakh to 70 lakh bales of cotton from Gujarat,” said P. Nataraj, chairman, SIMA.

“This cotton (Shankar 6 variety) is popular for use in hosiery items,” Mr. Nataraj added.

It is learnt that the Centre plans to come out with relaxation of cabotage rules for certain agricultural commodities. It should include cotton too for the benefit of cotton farmers and the textile industry, Mr. Nataraj said.

About 10 lakh bales of cotton are being moved by ships from one domestic port to another for the last couple of years in Indian flag vessel.

Relaxation of the rule will enable several foreign flag vessels to move cotton from one Indian port to another at competitive prices, according to industry sources here.

Source: thehindu.com- May 20, 2018

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## **What the Bt cotton row is all about**

### ***And how it may impact biotech innovations across sectors***

The fate of 100-plus agri-biotech patents granted by the Indian Patent Office is now hanging by a thread. Last month, the Delhi High Court declared invalid Monsanto's patent on Bollgard-II technology held through its Indian arm Mahyco Monsanto Biotech. The case has serious implications for biotech-based innovations across sectors.

The High Court held that plant varieties and seeds cannot be patented in India and that the trait fee (royalty) on genetically modified (GM) technology would be decided by the PPVFR (Protection of Plant Variety and Farmers Right) Authority.

The moot question now is: why has the patent on Bollgard-II technology been invalidated now after Monsanto having had it for 10 years?

With the case currently in the Supreme Court and the hearing scheduled for July 18, here's an explainer on the background.

Monsanto, through its JV arm Mahyco Monsanto Biotech, sells its Bollgard technology to 49 Indian seed companies.

GM seeds have worked wonders on India's cotton yield and output. NITI Aayog, too, has acknowledged this in its recent report 'Raising Agricultural Productivity and Making Farming Remunerative for Farmers'. Since the introduction of Bollgard I and II technologies, cotton acreage and yield have risen significantly. The yield has increased from 302 kg/hectare in 2002-03 to 552 kg/hectare in 2013-2014, helping farmers make a higher income.

The price a farmer pays for Bt cotton seeds goes to seed companies. The firms only pay royalty to Monsanto. This though, is in addition to the one-time lump sum paid for the technology.

The process works thus: breeder companies (those that make hybrid seeds) buy donor seeds from Monsanto and produce their own hybrid seeds and sell them to farmers. The trait fee for Bollgard-II technology was earlier fixed by Monsanto. But in 2015, some of the sub-licencee seed companies sought to unilaterally reduce the trait fee to which Monsanto disagreed. This opened a legal battle and saw the government step in.

After the initial confrontation, some companies, however, honoured the bilateral trait fee agreements with Monsanto. But, three companies, including Hyderabad-based Nuziveedu Seeds, refused to pay. They argued that the patent held by Monsanto was invalid as the Patents Act doesn't cover seeds and their varieties.

Till date, Nuziveedu Seeds and its group companies continue to owe trait fees to Monsanto, claims the agri giant. The issue between Monsanto and Nuziveedu Seeds got elevated to the policy level, bringing about a few changes.

### **Price control order**

The Ministry of Agriculture and Farmers Welfare, issued a Cotton Seeds Price (Control) Order on December 7, 2015, to regulate cotton seed prices in all key cotton-growing States.

Through this order, the government sought to also regulate the trait fee, which was till then governed by private contracts.



Consequently, for the past three years, the government has been fixing the MSP for Bt cotton seed packets and the trait fee, exercising the powers conferred on it by sub-clause (1) of clause 5 of the Cotton Seed Price Order.

From ₹930 (for a 450g packet) in 2016-17, the price of Bt cotton seeds was cut to ₹800 in 2017-18.

This year, it has been further reduced to ₹740 (for the 2018-19 season).

Trait fee, a component included in MSP, has also been cut, from ₹163.29/packet in 2016 to ₹39 in 2018-19.

### **Arguments of NSAI**

The National Seeds Association of India (NSAI) which used to represent all the seed manufacturers, got split into two in August 2016 after the Monsanto-Nuziveedu tiff intensified.

The defectors (mostly firms having biotech operations and who want protection for new technologies under the Patents Act) formed the Federation of Seed Industry of India.

NSAI sided with Nuziveedu, maintaining that Monsanto has been making false claims under the Patents Act and charging high trait value.

Speaking to BusinessLine, Kalyan Goswami, Director of NSAI, said: “The Delhi High Court judgement made it very clear that Monsanto enjoys IPR (intellectual property rights) only under the PPVFR Act.”

He added that NSAI believes that the breeders have a right under the PPVFR Act to access any transgenic variety to develop new varieties and need not sign licence agreements to carry out basic activities such as developing new varieties and producing/marketing seeds of such varieties.

### **PPVFR Act**

IPR for plant varieties, including transgenic ones, is provided only under the PPVFR Act.

The duty of the PPVFR Authority, a government body, is to establish an effective system for the protection of plant varieties, guard the rights of farmers and plant breeders, and encourage the development of new plant varieties.

If there is a mandate that the technology provider can have IPR only under the PPVFR Act, there should also be a mandate to ensure all seed companies register their hybrids under the PPVFR Authority, say industry insiders.

“If you as a seed company don’t register your hybrid under PPVFRA, what recourse does the technology provider have?” asked a highly placed source.

Currently, only a few companies have all their seed varieties registered with the authority.

Source: thehindubusinessline.com- May 21, 2018

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## **Exporters see no great gains in appreciating value of dollar**

While the US dollar has appreciated significantly against the rupee over the last two months, most exporters in key manufacturing sectors in Gujarat have not gained much from the strengthening dollar, industry experts say.

The rupee has gone from Rs 63 per dollar in March to Rs 67.99 per dollar as on Saturday. While ceramics exporters have seen their realisations go up, sectors such as chemicals, pharmaceuticals, apparel and garments have not seen significant gains in business with the dollar strengthening.

“Chemical units depend on imports for certain raw materials and thus exporters’ revenues will not change significantly,” said Shailesh Patwari, president of the Gujarat Chamber of Commerce and Industry (GCCCI). Patwari also owns a chemical manufacturing company.

“Raw material costs in the chemical industry have risen significantly, by an estimated 15%. The price of H Acid, a basic raw material for dyes has risen by 30% at least. Coal prices rose by 18% to 20%.

Crude oil prices shooting up, the strengthening dollar and improving demand are other factors that have raised raw material costs, due to which our input costs have risen by at least 15-20%,” Patwari added.

As far as the apparel and garment industry is concerned, exports have been declining overall and the appreciating dollar has not done much good to the industry.

“While the dollar as appreciated, raw material costs have climbed, with polyester and cotton in particular rising by 5% to 7%. As input costs rise, there’s no major difference in realisation and thus there’s very little help in boosting exports,” said Bhavin Parikh, a city-based manufacturer.

Pharma industry players also do not see much impact of the strong dollar on their realisations, mainly due to costlier raw materials — particularly active pharmaceutical ingredients (APIs). Prices of APIs have risen by 15% to 20% in eight months. Pharma companies are heavily dependent on China for APIs.

“The appreciation of the dollar has provided something of a cushion to pharma exporters, as they have been able to offset high input costs to an extent with improvement in export realisations,” said an industry player.

The ceramics industry, on the other hand, has gained from the strengthening dollar. “With a stronger dollar, realisation on exports will increase by roughly 6%.

Going by an estimated monthly export revenue of Rs 1,000 crore, the industry will have increased its revenue by more than Rs 100 crore over the past two months,” said K G Kundariya, president of the Morbi Ceramics Association.

Source: timesofindia.com- May 20, 2018

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## **Andhra Pradesh, India ports should be upgraded: Report**

To ensure that Indian exports are globally competitive, a research by Amitendu Palit, Institute of South Asian Studies, National University of Singapore, looks at approaches that would align with the ongoing coastal economic development strategy, Sagarmala, and with the State's strategy, which seeks to fully utilise the potential of having India's longest coastline.

One of these approaches would be to upgrade one of Andhra Pradesh's ports with state-of-the-art facilities that significantly enhance its maritime trade capacity — and, at the same time, 'backward' linking of the port with the hinterland, to enable fast movement of cargo and a reduction in logistics costs.

This would increase the port capacity by 20 million tonne a year, substantially increasing revenue over the coming decades, worth Rs 1,695 crore.

The main costs in the project include new and upgraded facilities: like a container freight station, expanded berths and more dredging, along with land acquisition and expanding highways around the port. The fixed costs including substantial operating costs over the 20-year period come to Rs 1,985 crore.

Source: fashionatingworld.com- May 20, 2018

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## **Wholesale cloth merchants demand abolishment of toll tax**

Wholesale Cloth Merchants' Association Jammu today put forward its demand of abolishing toll tax on cloths in front of Deputy Chief Minister, Kavinder Gupta.

The demand was put up during the annual general meeting of the Association held here today.

Deputy Chief Minister, Kavinder Gupta was the chief guest on the occasion.

In his welcome address, Vinay Gupta, president, Wholesale Cloth Merchants' Association, apprised the members of the association's working and put forth the genuine demands of the association like abolishing toll tax and construction of wholesale textile market to boost the textile trade and economy of the State.

Deputy Chief Minister, while addressing the house, assured that the genuine demands of the association will be considered on priority.

Meanwhile, a symposium on the changing business scenario opportunities and challenges was also organized on the occasion and the participants were given trophies by the chief guest.

Ashwani Arora, general secretary, presented the annual report of the association while Laxmi Narayan, vice president, presented the vote of thanks.

Source: dailyexcelsior.com- May 21, 2018

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## **An incentive for weavers to return home**

• State government places orders for 95 lakh Bathukamma sarees	
• The sarees to have pre-dyed zari border in 80 colours	• Weaver wage fixed at ₹4.25 paise per metre of fabric
• Orders placed with 104 Mutually Aided Cooperative Societies and 71 small scale industries	
• 20,000 powerlooms to be involved in weaving six crore metres of fabric	• A weaver to earn about ₹20,000 a month

With the State government placing bulk orders for weaving around 95 lakh Bathukamma sarees with powerloom weavers of Sircilla textile town, the district Handlooms and Textiles Department has called upon powerloom weavers, who have migrated to other States in search of employment, to return to their native villages and secure jobs in the existing powerlooms.

In a press note here on Friday, AD (Handlooms and Textiles) P. Ashok Rao said the government has placed orders for weaving Bathukamma sarees with 104 Mutually Aided Cooperative Societies (MACS) and 71 small scale industries (SSI) here.

This time around, the sarees would have pre-dyed zari border in 80 colours. A total of six crore meters of fabric would be produced on 20,000 powerlooms before September this year.

The weavers would get wages between ₹16,000 and ₹20,000 a month unlike in the past when their wage was ₹8,000 a month. The MACS and SSIs have been instructed to give about ₹4.25 paise per meter of fabric that's weaved by the weavers.

Mr. Ashok Rao said the State government has released ₹40 lakh to give ₹1,200 to each weaver as thrift fund. As the government has extended 10% subsidy on the yarn, weavers would get additional ₹200 per day, he said.

Source: thehindu.com- May 19, 2018

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### **IMG Reliance, British Council sign agreement to support female textile artisans**

IMG Reliance and the British Council have signed an agreement to bring global 'Crafting Futures' programme to India to support the country's female textile artisans. The British Council, The UK's international organisation for educational opportunities and cultural relations and IMG Reliance Ltd, which develops, markets and manages Fashion, Sports and Entertainment in India including Lakme Fashion Week, signed an operational alliance agreement for a project to support female artisan textiles in India.

Under the agreement, The British Council's global programme will be coming to India, said a statement. The project, named 'A Telegram from Tripura', brings UK designer Bethany Williams and Indian designer Aratrik Dev Varman of the label Tilla together to explore new fashion systems and approaches with female textile artisans in the northeastern region.

The aim is to grow their livelihoods and economic opportunities through responding to a creative brief set by Fashion Revolution, an organisation that celebrates fashion as a positive influence, while also scrutinising industry practices and raising awareness of the most pressing issues facing the fashion industry.

"We are delighted to be working with IMG Reliance on the Crafting Futures programme in India. Crafting Futures is a global British Council programme which looks at how promoting a sustainable craft industry can support women's economic opportunities, responsible production and engagement in cultural heritage in contemporary design.

"This year, the British Council celebrates its 70th anniversary in India. In those 70 years, we have been greatly inspired by Indian artists, designers and textile producers and I know that we will be inspired further by the results of this exciting Crafting Futures project with IMG Reliance," Helen Silvester, Director (West India) at the British Council, said in a statement.

Aratrik Dev Varman and Bethany Williams recently did a creative residency in Tripura where they researched the various tribes and textiles of the region.

The Designers were joined on the residency by filmmakers Storyloom Films who have explored how through visual media the personal stories of the female weavers can be shared more globally.

Works in progress will be presented at the August 2018 edition of Lakme Fashion Week, and final work will be presented at the February 2019 edition of the fashion gala before appearing in Fashion Revolution's biannual fanzine.

The work will showcase female textile artisans in India and demonstrate how design innovation can promote a fairer, more inclusive fashion industry.

The creative brief toolkit will become available publicly and for schools, allowing young activists, designers, students and practitioners to experiment with new design-based interventions to create innovation themselves.

Jaspreet Chandok, Vice President and Fashion Head, IMG Reliance said: "We are glad to partner with British Council and work towards building the economy of the North East. To create a call to action for structuring collaboration models between the Northeast and the industry has greatly excited all of us."

Source: business-standard.com- May 19, 2018

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