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IBTEX No. 174 of 2018 August 21, 2018

USD 69.56| EUR 80.23 | GBP 89.27 | JPY 0.63

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22660	47400	**86.87**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
23470	49094	**89.97**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	82.70
ZCE Cotton: Yuan/MT (Jan 2019)	15,790
ZCE Cotton: USD Cents/lb	**88.77**
Cotlook A Index – Physical	**92.90**

Cotton Guide: Cotton future advanced marginally on Monday's trading session to end the December future at 82.70 cents up 131 points from the previous close. The last week loss was around 384 points. The other months settled from 52 to 135 points higher. On the trading front, volume was 22,172 contracts. Cleared Friday were 16,346 contracts. China's ZCE futures had a 2nd day of small gains. That was notable given that the previous 5 sessions had lower closes for a cumulative loss of almost 5 percent.

On the domestic front the prices for remaining stocks of 2017-18-crop Shankar-6 fell over the weekend to Rs. 47,250 per candy, ex-gin (86.40 US cents per lb at today's exchange rate). Rates for Punjab J-34 are firm at Rs. 4,813 per maund (83.85 cents per lb). The rupee has regained some ground against the dollar today.

Therefore, the MCX cotton future has closed the session at Rs. 23440 up by Rs. 140 from previous close. We think the market to remain sideways to today. The trading range for the day would be Rs. 23300 to Rs. 23600 per bale.

China's Reserve Auction improved over last week's meager turnover, likely the result of a near 4 cent drop in the base price this week. Chinese State Reserve cotton on Monday's auction had a turnover rate of 44.82 percent, spinners only. Offered were 30,015.424 tons (137,861 bales); and sold were 13,452.7 tons (61,788 bales). The cumulative turnover rate is 56.49 percent (offered versus sold). This auction series started at 24.1 million bales and 15.34 million bales remain.

Published after the close, was the USDA US Crop Progress report for the week ended August 5th. Conditions overall slightly improved. Today's report showed cotton: 86 percent setting bolls (5-year average 86 percent); and 17 percent opening bolls (5-year average 12 percent).

Technically, it appears a short-term bottom is in place. The bulk of the daily work is 'down,' but the long-term uptrend that began in November 2017 hasn't been broken in decisive fashion. The zone of support from roughly 7900 to 8200 is the long-term razor's edge. The bulls need to continue to defend this area. Resistance is the 8300-to-8350 area and 8600.

FX Update:

Indian rupee has opened marginally higher in early trades today to trade near 69.615 levels against the US dollar. The currency is seeking support from stabilization in domestic equity market and decline in US Dollar. The Dollar has come under pressure following Trump's comments. US President Trump yesterday in an interview expressed displeasure over Fed's stance of tight monetary policy and also accused China and Europe of currency manipulation. The gains may be capped amid ongoing trade worries and financial turmoil in Turkey. For the day we expect Rupee to continue to trade with positive bias. USDINR may trade in a range of 69.4-69.8 and bias may be on the downside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

US, Canada Trade Leaders Discuss Whether Tariffs Are New Normal

The United States and Canada may have yet to agree when it comes to the North American Free Trade negotiations, but trade leaders from each country are united around one notion: the trade war won't work.

In recent months, the U.S. has kicked off a tariff war, levying new duties on its NAFTA trading partners, the European Union, and China most of all. Its actions have fueled a flurry of retaliations in the form of reciprocal tariffs—which, in some cases, have been met with even more tariffs.

And all of that has begged the question: are tariffs the new normal in trade? The answer may be a resounding yes. During Monday's fireside chat at the opening of Canada's Apparel Textile Sourcing show, which was streamed via Facebook Live, Julia K. Hughes, president of the United States Fashion Industry Association (USFIA), said "From a U.S. perspective, I think it's a bit of a new normal."

Once countries start pointing to national security concerns as the reason for implementing new tariffs, the door opens for making a case that nearly anything could be considered a national security threat, Hughes explained, noting a concern that the world could be in store for ongoing bouts of U.S. protectionism expressed in tariff form.

Canada on the other hand—which doesn't currently pay any duties on manufacturing imports, like fabric, since its government eliminated them to facilitate trade—has its arms wide open for multilateralism and no interest in protectionism.

"Forty-nine percent of the GDP in Ontario is related to just the U.S. We can't live in a world like that, it's not a good thing," said Bob Kirke, executive director of the Canadian Apparel Federation. "Over time, we'll have a different constituency in Washington and things will change. This is not—I hope it's not the new normal."

For now, however, tariffs are on the table, and their presence threatens to reshape sourcing and put companies in predicaments they may or may not have been prepared for.

The impact on business

If U.S. companies suddenly see 25 percent tariffs on imports from China take effect in October or November as the Trump administration has alluded to, they're not going to be able to change or cancel orders they've already committed to, which means they'll be coming out of pocket to cover those new duties. The impact falls to brands and retailers that will have to decide whether to raise prices on consumers who they know are resistant to those increases, or just take the hit until they can come up with other alternatives.

"That's the key," Hughes said. "It's at least six months before you start to see an impact at retail because most companies are not passing on the increases that they've seen so far because no one wants to be the first to do that. Even talking to companies who have a lot of market power, they're not taking that action." If the additional tariffs on China do take effect, Hughes continued, it won't bode well for the holiday season at retail.

The great wall between the U.S. and China

While China bears the brunt of the United States' trade wrath, the country is positioning itself to invest in other emerging nations to find different distribution channels to the U.S. And while some have wondered whether the Sino-U.S. rift would see factories in China shutter, Hughes doesn't see it that way.

"I think for China it may be a reset button for looking at domestic and sourcing with the rest of the world that's going to make it, long-term, even more difficult for U.S. sourcing execs," she said. From Kirke's perspective, it's the Western factories that may in fact shutter.

"If you're operating a factory in Montreal, making suits and 20 percent of your total is coming out of that factory, you're already operating at a much higher cost than in Vietnam or China…and if you have more duties on China, you could see people shutting those factories because you've got to tighten your belt and your costs are out of line locally," Kirke said, adding that companies may instead opt for doing more in Vietnam or China. "So I keep saying that these tariffs don't help anybody."

Once the impact trickles down the supply chain, the tariffs won't help consumers either, as they're expected to end up footing the bulk of the bill. Most consumers, however, haven't grasped or felt the impacts yet.

"It's businesses who are seeing the impact first and some don't really want to tell their customer how bad it is," Hughes said. "They're trying to see how they can make it work."

Hearings on the Hill Monday regarding tariffs, saw organizations like the National Council of Textile Organizations (NCTO) appealing to the U.S. again to add apparel end products to the list of tariff targets, so both the conversations on the topic and the potential impacts for the industry remain far from resolved.

"Tariffs are a simple answer to an extremely complicated reality," Kirke said. "We can put tariffs on and, according to Donald Trump, you make money doing it and the tax payers and everyone's winning. It's absurd but that's where we are."

Source: fashionatingworld.com- Aug 20, 2018

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Made In Cambodia May Become New Fashion Label With Tariffs Hitting China

The next designer handbag you buy is less likely to bear a "made in China" label.

Fashion companies, eager to diversify their supply chains, were already expanding into production sites in Southeast Asia as alternatives to China. Then the trade war happened.

Now, with tariffs on products such as Chinese handbags set to rise, nations like Cambodia and Vietnam are looking more attractive than ever for consumer-goods makers such as Steven Madden Ltd. and Tapestry Inc.'s Coach. And while the Trump administration has slapped duties on goods from many of its largest trading partners this year, it's allowed some Cambodian products to continue duty-free access to the U.S. market.

"The shift has been under way," said Steve Lamar, executive vice president of American Apparel & Footwear Association. The talk of tariffs has created "a lot of anxiety" and companies are gauging how fast they can make more changes to their sourcing, he said.

A study released in July by the U.S. Fashion Industry Association showed that, while all of the companies participating in the survey sourced goods from China, 67 percent expected to decrease the value or volume of production in the country over the next two years. U.S. trade protectionism was listed as the number one challenge for the industry.

Moving output

Steven Madden Chief Executive Officer Edward Rosenfeld said on the company's most recent earnings call that it has been shifting production of its handbags to Cambodia from China. The maker of shoes and accessories sees 15 percent of its handbags coming from Cambodia this year, with this percentage doubling in 2019.

"That gives us frankly about a three-year head start on most of our peers, because many folks are just now trying to make that move," Rosenfeld said on the July 31 conference call. "Our head of handbag sourcing is actually over there right now, working on a plan to ramp that up."

Tapestry, the luxury company behind Coach and Kate Spade handbags, has adopted a similar strategy, boosting its Vietnamese production and leaving less than 5 percent of its sourcing from China. Vera Bradley, meanwhile, mentioned last December it is looking at sending manufacturing operations to Cambodia and Vietnam from China.

Investment incentives

"Cambodia does offer pretty good investment incentives like tax holidays," said Matt van Roosmalen, country manager for Cambodia at Emerging Markets Consulting, an investment advisory firm focused on Southeast Asia.

"As long as the tariff exemptions persist, companies will be more incentivized to invest production capacity in Cambodia."

The moves to shift production have had an impact in China: Hong Kong-based Stella International Holdings Ltd.—which develops and manufactures footwear for brands like Prada SpA and Guess? Inc. — has seen its stock drop to its lowest point since 2009 as China and the U.S. ratchet up the trade rhetoric.

Cambodia footwear exports rose 25 percent in 2017, while garment exports increased 8 percent in the same period, according to an annual report by the National Bank of Cambodia, which attributed the growth in part to increased demand from the U.S.

Vietnam, meanwhile, has enjoyed a foreign investor-led economic boom for years, attracting billion-dollar investments from the likes of Samsung Electronics Co. and Intel Corp. It is transforming from mainly an exporter of agricultural commodities, such as rice and coffee, to a Southeast Asian manufacturing hub.

“The country enjoys relatively low inflation, a stable currency, and political stability – all of which helps to attract foreign investment,” said Adam Sitkoff, executive director of the American Chamber of Commerce in Hanoi. “The opportunities are clear – Vietnam is a country of 95 million people traveling pretty quickly on the path from bicycles to motorbikes to BMWs.”

Even before China and the U.S. escalated trade tensions, Cambodia enjoyed duty-free privileges for products such as handbags, suitcases and wallets, part of a U.S. program to help boost development in low-income countries. This designation has so far been maintained by the Trump administration.

In addition to the tariff threat, wages have risen steadily in China, while Cambodia remains one of the lowest-cost countries when it comes to labor. According to estimates provided by Oxford Economics, labor cost in Cambodia is a quarter of China’s.

‘Not easy’

Lamar, of the American Apparel & Footwear Association, does recommend caution, however.

“The reality, unfortunately, is that shifting out of China is not easy,” he said.

One reason is that cheap labor does not necessarily equal effective production. Cambodia's productivity rates are low compared to China, making it a challenge to manufacture more elaborate products.

In a survey by the Hong Kong Development Council, which promotes trade and investment for the territory, factory managers suggested that the average labor productivity of Cambodian workers was about 50 to 60 percent that of Chinese workers.

Another reason is that Cambodia's infrastructure is well behind China's. The nation's infrastructure ranked 106 out of 137, behind neighbors Vietnam and Laos, in the World Economic Forum's Global Competitiveness Report.

This can cause difficulties in getting merchandise out of the country, Lamar said.

'Flawed' elections

Then there's politics.

The U.S. government recently said that Cambodian elections in July, in which the ruling party won all 125 seats in the National Assembly, were "flawed."

As a result, the U.S. and Europe could review their trade policies and "potentially stop giving tariff preference to Cambodia's garment industry," said Tommy Wu, senior economist at Oxford Economics. Such a move would be a blow for the nation, where garments make up 64 percent of total exports.

"Setting more output in Cambodia should be taken with caution until the political dust settles," said Sophal Ear, associate professor of diplomacy and world affairs at Occidental College in Los Angeles.

Source: fashionatingworld.com- Aug 20, 2018

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USDA Move to Increase Cotton Promotion Could Add Pressure to Prices

Funding for The Cotton Board and Cotton Incorporated stands to increase if a directive from the U.S. Department of Agriculture's (USDA) Agricultural Marketing Service takes effect.

Assessments paid by importers of cotton and cotton-containing products under the Cotton Research & Promotion Program Order will rise 3.4% under a final rule issued by the Agricultural Marketing Service on Friday. This rule also amends the Import Assessment Table, which indicates the total assessment rate.

Assessments would increase to .0119 cents per kilogram from .0115 cents per kilogram to reflect an increase in the average weighted price of upland cotton received by U.S. farmers in 2017, the Agricultural Marketing Service said in a Federal Register notice.

The revenues generated by these assessments are used to finance research and promotion programs designed to increase consumer demand for upland cotton in the U.S. and international markets.

This rule will be effective as of Oct. 16 unless significant adverse comments are received by Sept. 17, in which case it will be withdrawn, the service said.

The purpose of the Cotton Research & Promotion Program is to carry out an effective program of research and promotion to strengthen the competitive position of cotton by expanding domestic and foreign markets, improving fiber quality and lowering costs of production.

The Cotton Board's research and promotion activities are conducted worldwide by Cotton Incorporated. Founded in 1970, Cotton Inc.'s mission is to increase the demand for and improve the market position of cotton.

Source: sourcingjournal.com- Aug 20, 2018

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Vietnam strives to avoid MFN tariffs

The Department of Trade Defence under the Ministry of Industry and Trade will begin releasing Việt Nam's export data to the Eurasian Economic Union (EAEU) on a monthly basis to help local businesses avoid Most Favoured Nation (MFN) tariffs.

Việt Nam and the EAEU signed a free trade agreement on May 29, 2015, which came into force on October 5, 2016.

Under the deal, the EAEU – consisting of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan – committed to eliminating tariffs for up to 9,774 tax lines (90 per cent) for products imported from Việt Nam.

Việt Nam's footwear, textiles and garments, and interior design products are eligible for zero import duty. However, if the volume of these products exceeds a trigger level established in the agreement, the EAEU will adjust the zero import duty to MFN tariffs for six to nine months, depending on the volume.

As of June 2018, the MFN tariffs had been imposed on Vietnamese underwear and children's wear products.

According to the department, there are no products at risk of tax in 2019. However, domestic firms should act accordingly to avoid the imposition.

Việt Nam's customs statistics show trade between the two sides hit US$3.9 billion in 2017, up 31 per cent year-on-year. Last year, Việt Nam also recorded a trade surplus of nearly $1 billion with the bloc. In the first four months of 2018, bilateral trade was at $1.53 billion, an annual increase of 35 per cent.

Key Vietnamese exports to the EAEU were phones and components, computers and electronic devices, apparel, footwear, fruit and vegetables, coffee, cashew nuts and seafood.

Việt Nam mainly imported petrol, oil, steel, fertilisers and machinery from the EAEU. Commodities from each side supplement each other, limiting disadvantages often seen with other FTAs.

Source: vietnamnews.vn- Aug 21, 2018

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Turkish technical textiles exports up 20%

Turkey's technical textile exports grew by 20.1% to US$ 898 million in the first half of 2018. The most exported product group from January to June was nonwovens.

Exports of these products increased by 30.6% and were worth around US$ 294 million.

This product group accounted for 32.7% of total technical textile exports. The second major product group in the first half of 2018 was packaging products, worth around US$ 182 million. Total technical textile exports account for 20.2%.

The product group that recorded the biggest growth in the first half of the year was parachute fabrics. Exports of these products rose by 135.7%, compared to the same period last year.

Germany became the most important export market. Technical textile exports made to Germany during this period were worth US$84 million, with an increase of 23.6%.

The second most important country was Italy, with an export value of US$ 58 million and an increase of 15.8%.

The third export market was the USA. This country imported US$ 58.5 million worth of technical textile products from Turkey in the first half of the year. The share of the USA was 6.5%.

Exports worth US$ 480 million were realised in the 28 EU member countries, with an increase of 26.1%. With this exports figure, the share of the EU was 53.4%.

Source: innovationintextiles.com- Aug 20, 2018

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Bangladesh exports to China down 26 per cent, both aiming for an FTA

Bangladesh's exports to China fell 26.79 per cent year-on-year in 2017-18. China has toughened certification regulations no longer accepts Bangladesh's certification standards.

So, Bangladeshi processed food exporters have to wait for days to receive certification from China, which is the main reason for the fall in exports.

Even in fiscal 2016-17, exports from Bangladesh to China had recorded a 17.48 per cent year-on-year increase. Moreover, the number of exportable items that Bangladesh has is low, although China has allowed duty-free access to 5,074 products from Bangladesh.

Bangladesh is a global leader in garment products but China does not allow duty-free import of all garments. As a result, exports of garments to China are also not increasing.

Further China seeks high-end value-added items, something Bangladesh does not have a strong grasp on. China has also tightened visa regulations due to which, in most cases, small and medium company owners are being denied the scope to travel there.

Though China has a strong demand for jute, jute goods, leather and leather goods, Bangladeshi exporters lag behind due to their poor negotiation skills.

Given the situation, Bangladesh is aiming for a free trade agreement with China. Currently, China is Bangladesh's second largest export destination among Asian nations after Japan.

Source: fashionatingworld.com- Aug 20, 2018

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Pakistan: Textile exports inch down in July

Textile exports clocked in at $1.002 billion for July, down 0.49 percent year-on-year and 16.09 percent month-on-month, official data showed on Monday.

Pakistan Bureau of Statistics (PBS) data showed that textile exports amounted to $1.006 billion in July last year and $1.194 billion in June. Exporters said exports to several destinations around the world declined in the past because of rising cost of doing business.

An exporter said the country's exports were largely dependent on imported raw materials, and depreciated local currency increased their cost of production leaving the goods uncompetitive in the international market.

In July, cotton yarn exports increased 7.62 percent year-on-year to $117.343 million. Knitwear exports rose 7.78 percent to $208.88 million. Bed wear exports declined 3.56 percent to $164.76 million.

Readymade garments exports fell 0.46 percent to $211.21 million while cotton cloth fetched $144.6 million in July, down 9.94 percent over the same month a year earlier.

Analysts said while textile exports could receive a major stimulus from recent rounds of rupee depreciation, structural concerns might reduce the potential gains that exporters could realise from a weaker local currency.

"First is the issue of local cotton availability and our channel checks suggested that the sowing target for the FY2019 has been missed by a significant margin, which creates doubts over achievement of national cotton production target of 14.37 million bales," Ahmed Lakhani, an analyst at JS Global capital said.

The other option for spinners is to look to international markets for cotton procurement. "However, the re-imposition of duties and sales tax of a cumulative 11 percent on imported cotton from July 15 plus rupee depreciation against US dollar will largely nullify any potential benefits of importing cotton from overseas in our view," Lakhani said.

Furthermore, the perennial issues plaguing the sector remain largely unaddressed. Lack of availability of system gas and costlier regasified liquefied natural gas have forced several smaller mills to close operations.

Source: nation.com.pk- Aug 21, 2018

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NATIONAL NEWS

Govt mulls duty-free import of capital goods to skirt WTO

Jobs-linked scheme may replace export incentives that are in breach of trade rules

The government is working on a scheme to allow duty-free import of capital goods by the domestic industry, a measure that may be linked to employment generation.

The initiative could be an alternative to some of the export incentive schemes that will now have to be phased out or withdrawn because of their incompatibility with global trade rules, a government official told BusinessLine.

"At present, exporters can import capital goods duty free under the Export Promotion Capital Goods (EPCG) scheme and also under initiatives for EOUs (export oriented units) and SEZ (Special Economic Zone) units.

However, these schemes are no longer compatible with World Trade Organisation (WTO) norms and have to be phased out or withdrawn. The new scheme is being designed to offer similar benefits to manufacturers within the boundaries of WTO norms," the official said.

A team led by the Directorate-General of Foreign Trade (DGFT) and including trade experts and industry representatives is fine-tuning the scheme, which will finally be included in a Cabinet note on alternative incentive schemes for the domestic industry and exporters.

Since India's per capita Gross National Income (GNI) exceeded the threshold of $1,000 for three years in a row in 2015, it can no longer extend export subsidies, under WTO rules.

With India still continuing with many of its export sops, the US dragged the country to WTO's dispute settlement body earlier this year, complaining that its export subsidies were harming American companies.

It identified five popular export promotion schemes, including the merchandise export from India scheme (MEIS), the EPCG scheme, and some incentives available to EOUs and SEZ units, as being in violation of the WTO Agreement on Subsidies and Countervailing Measures.

“The idea now is to replace these schemes with ones that are not directly linked to exports. The duty-free import of capital goods scheme being designed will be available to all domestic producers and would be linked to criteria other than exports — such as employment. This will ensure that exporters will continue to get duty-free benefits along with other domestic producers,” the official said.

The average level of import duty on capital goods is around 7.5 per cent. Bringing it down to zero for the domestic industry that meets certain criteria like employment generation will provide relief for manufacturers, especially those who have newly set up their plants.

The catch

There are, however, a couple of glitches in the execution of the scheme. A scheme to incentivise capital goods import could go against the interests of the domestic capital goods industry.

“The government is clear that the ultimate objective is to give a fillip to ‘Make in India’. This can be done by giving the industry more benefits if they procure domestically,” the official said.

The Finance Ministry would also suffer a revenue loss if a duty-free import scheme is implemented as capital goods are a source of generation of income from Customs duty, the official added.

“All these factors have to be taken into account before finalising the scheme. Hopefully the scheme will be given a final shape soon,” the official said.

Source: thehindubusinessline.com- Aug 21, 2018

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Prabhu reviews proposed industry, farm export policies

Commerce and Industry Minister Suresh Prabhu reviewed the proposed new Industrial Policy, which will replace the existing policy of 1991, and the agriculture export policy, with senior officials on Monday.

The Minister also discussed export promotion strategies that the country needs to adopt to improve performance of the export sector, according to his tweet.

"(I) held a meeting with the Commerce Secretary and senior officials of the DGFT today. Discussed various export promotion strategies and reviewed the upcoming Agri Export Policy and Industrial Policy. We are working on new initiatives to take India's export to the next level," Prabhu said in a tweet.

Both policies are likely to be placed before the Union Cabinet for approval soon.

'Make in India'

It is proposed that the new Industrial Policy, being driven by the Department of Industrial Policy & Promotion, will aim at making India a manufacturing hub by promoting 'Make in India'.

It will also suitably incorporate the use of modern smart technologies such as IOT, artificial intelligence and robotics for advanced manufacturing.

The six thematic areas include manufacturing; MSME; technology and innovation; ease of doing business; infrastructure, investment, trade & fiscal policy; and skills and employability for the future.

The new policy, which will replace the almost three-decades-old existing one, seeks to create jobs for the next two decades, promote foreign technology transfer and attract $100-billion FDI annually.

As part of the exercise, the government is also reviewing all regulatory policies so that all unnecessary regulations could be done away with, Prabhu recently said.

Doubling farm exports

Another important policy proposal reviewed by the Minister was the 'Agri Export Policy', aimed at doubling agricultural exports to $60 billion by 2022, placing India among top 10 agriculture exporters in the world and promoting stability in export rules.

In his Independence Day speech, Prime Minister Narendra Modi talked about the new agriculture export policy to be unveiled soon to boost farm income as the government was on track to achieve the target of doubling farmers' income by 2022.

Source: thehindubusinessline.com- Aug 21, 2018

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Pest attack, scanty rains to dent India cotton exports: trade body head

India is likely to export 7 million bales of cotton in 2018/19, down 30 percent from an earlier estimate, as scanty rainfall and an attack of pink bollworms are likely to squeeze crop yields, the head of a leading trade body told Reuters.

Lower shipments from the world's biggest producer of the fibre amid rising demand from top consumer China could support global prices, which on Monday were trading near their lowest level in over four months.

A drop in planting area and the pest attack will limit overseas sales to 7 million bales in the marketing year starting on Oct. 1, down from 7.2 million bales in the current crop year, said Atul Ganatra, president of the Cotton Association of India.

"In Gujarat and Maharashtra, rainfall was lower than normal. In some pockets, pink bollworm attacks have also been reported," said Ganatra, who had forecast exports of 10 million bales in June.

Gujarat and Maharashtra account for more than half of the country's total cotton production.

Some regions of these two states received as much as 22 percent less rainfall than normal, according to data compiled by India Meteorological Department.

Farmers have adopted genetically-modified seeds known as Bt cotton that are resistant to bollworms, but it hasn't stopped the infestations.

Pink bollworms consume the fibre and seeds inside a cotton plant's boll, or fruit, and yields fall.

Export demand for shipments in 2018/19 is robust but we could not sign deals due to uncertainty over crop size, said a Mumbai-based dealer with a global trading firm.

Local cotton prices will rally if production drops substantially and will make it difficult for us to fulfil commitments, the dealer said.

Pakistan, China, Bangladesh and Vietnam are key buyers of Indian cotton.

India has so far contracted to export around 600,000 bales to neighbouring China, which has imposed sanctions on shipments from top exporter the United States, Ganatra said.

China's cotton imports in 2018/19 are likely to jump 23 percent from a year ago to 1.6 million tonnes.

India's cotton production would be lower than last year's 36.5 million bales as weather was not conducive for the crop, said Chirag Patel, chief executive at Jaydeep Cotton Fibres Pvt Ltd, a leading exporter.

"It is difficult to estimate crop size now. Production could fall to 32 million bales if the dry spell continues. If we get rains, then we can harvest 36 million bales," Patel said.

Farmers have planted cotton on 11.26 million hectares as of Aug. 10, down 4 percent from a year ago, the farm ministry's data shows.

After attacks last year by the pink bollworm pest, many farmers switched to soybeans.

(1 Indian bale = 170 kg)

Source: in.reuters.com- Aug 21, 2018

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Stay with RCEP

India must not take the easiest way out on the trade deal and walk out of talks

Negotiations on the Regional Comprehensive Economic Partnership, among 16 Asian and Pacific Ocean countries, have entered a decisive phase. Most potential member-countries of the grouping, that comprises the 10 ASEAN members and their Free Trade Agreement partners, Australia, China, India, Japan, New Zealand and Republic of Korea, would like to see a "substantive agreement" on the trade deal by the end of this year.

At a meeting in Singapore, which is driving the effort as the current ASEAN chair, countries which still have issues with the outline of the agreements reached so far may be told politely to step aside and allow a smaller group to go ahead with finalising the RCEP, with the option to join it at a later date.

India is among the countries that will have to take a call at this point, and the government's decision to set up a group of four ministers to advise Prime Minister Narendra Modi on the path ahead indicates the seriousness of the situation.

India's concerns with RCEP negotiations thus far are manifold, but some have been addressed. The first is the greater access Chinese goods will have to the Indian market, a problem given India's massive trade deficit.

To circumvent this, given that India is the one country that doesn't have an FTA with China, the government has proposed a "differential market access" strategy for China, which others are inclined to accept.

After the Wuhan summit, India and China have made progress on addressing the trade deficit, with China increasing access for Indian goods such as pharma and agricultural products.

The second concern is about demands by other RCEP countries for lower customs duties on a number of products and greater access to the market than India has been willing to provide. On the other hand, the more developed RCEP countries such as Australia and Singapore have been unwilling to accommodate India's demands to liberalise their services regime and allow freer mobility of Indian workers.

Naturally, none of this is made easier by the fact that some of the RCEP countries, including India, are headed for elections next year, a point where governments traditionally turn protectionist. Despite these concerns, the government must take into account the deeper strategic pitfalls of either slowing down India's RCEP engagement or walking out of the talks at this stage. Doing so would cut India out of the rules-making process for the RCEP and give China further space in the regional trade and security architecture.

At a time when the U.S. has broken from the global concord on multilateral trade agreements, an Indian walkout would endanger the united message that RCEP countries, which represent 40% of the global GDP, would wish to send out. It would also be a sharp departure from India's "Act East" slogan and its extended outreach to ASEAN.

Source: fashionatingworld.com- Aug 20, 2018

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5-year plan: Arvind to pump in ₹500 crore every fiscal

Investments to boost large-scale garmenting and strengthen textiles business

Arvind, a diversified conglomerate with interests ranging from textiles to retail and real estate, will invest ₹500 crore every year for the next five years to expand its textile business.

The investments will be made from its internal accruals and will total ₹2,500 crore by 2023.

"We have a clear plan to invest ₹1,500 crore for the next three years. After that we will continue to invest for another two years.

We expect our revenues to go up to ₹12,000 crore by the end of five years from the present ₹6,000 crore," Kulin S Lalbhai, Executive Director, told BusinessLine.

"The entire textile trade is moving from China to this part of the world. We feel Arvind is in a unique position to take advantage of this even as the growth in domestic industry for apparel is also strong," he added.

The investments would be mainly for large-scale garmenting, with the company planning to convert at least 50 per cent of its fabrics into garments.

From fabric to garment

At present, Arvind converts only 10 per cent of its total fabrics produced into garments.

The investments will also be used for the company's foray into performance and functional clothing (active wear) and synthetics, and for scaling up its branded textiles and technical textiles businesses. The company intends to create five hubs. Of this, four will be in India — Jharkhand, Gujarat, Andhra Pradesh and Bengaluru — and one in Ethiopia.
Each hub will employ 5-10,000 workers. At present, the company has just one hub — in Bengaluru — employing 10,000 workers.

Demerger on track

As part of its demerger plan, the listed entity Arvind will be split into Arvind, Arvind Fashions and Anup Engineering.

These companies will be demerged by the first or the second week of September, and then delisted within 45-60 days.

"In the interim, Arvind would be the only listed company," Lalbhai said.

A number of other businesses such as Arvind Internet, Advanced Materials, Envisol and Telecom are also now being incubated under Arvind.

Source: thehindubusinessline.com- Aug 20, 2018

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Several nations support US charges against Indian export subsidies at WTO

India is set to have a tough time defending its export promotion schemes at the World Trade Organisation (WTO), with 11 major economies now supporting the US' charge that the schemes violate fair trade law.

Back in March, the Trump administration in the US had challenged India's export promotion schemes, arguing that it has been misusing export subsidies. India promised to contest the charges. But now, Brazil, Canada, China, Egypt, the European Union, Japan, Kazakhstan, Korea, the Russian Federation, Sri Lanka, Taiwan and Thailand have supported the US claim, according to WTO documents posted on its website.

The US had requested dispute settlement consultations with India at the WTO over Merchandise Exports from India Scheme and Export Oriented Units Scheme, among others. A similar action has been initiated over sectoral schemes, including Electronics Hardware Technology Parks Scheme, special economic zones and the Export Promotion Capital Goods Scheme.

"These subsidies provide benefits to Indian exporters that allow them to sell their goods more cheaply to the detriment of American workers and manufacturers," the United States Trade Representative had said.

However, a senior Commerce Department official hinted that India will continue to argue that the law invoked by the US — the Agreement on Subsidies and Countervailing Measures (ASCM) — allows it a window of eight years to phase out these subsidies.

The crux of the matter

Developed nations, including the US, have long argued that export subsidies provide an unfair competitive advantage to recipients, pointing out that WTO rules prohibit them.

The ASCM aims to gradually lower and finally prohibit export subsidies provided by nations so that global trade becomes equitable.

However, a limited exception to this rule is for specified developing countries that may continue to provide export subsidies temporarily until they reach a defined economic benchmark of a $1000 per capita income. India was initially within this group, but was informed last year by the WTO Secretariat in a report that it had crossed the threshold back in 2015.

The US now points to this fact to allege India was knowingly bending the rules to bulk up its exports by continuously expanding export promotion schemes.

"The article 27 of the agreement also provides for special and differential treatment. At the time the agreement came into force, developing countries who were above the threshold were provided with a period of eight years in order to bring down their export subsidies," previous Commerce Secretary Rita Teaotia had told Business Standard back then.

"We had clearly assumed that the same period of eight years is available to countries, as and when they cross the threshold. India has submitted a paper to the negotiating group on rules to this effect every year since then," another Commerce Department official added on Monday.

Way forward

The government's Economic Survey had suggested that phasing out some export promotion schemes is a wise idea. Recognized exporters of manufactured goods receive credit incentives, generally in the form of duty drawbacks, in various forms.

The three major sector-specific ones are the Advance Authorisation Scheme, Export Promotion Capital Goods Scheme and the Deemed Exports Scheme, accounting for Rs 350 billion in government payouts. Apart from this, traders also earn duty credits in the form of scrips under the Merchandise Exports from India Scheme apart from Services Exports from India Scheme and the Incremental Export Incentivisation Scheme.

However, exporters expressed grave dissatisfaction with such an idea.

Source: business-standard.com- Aug 20, 2018

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Trade talks may firm up commodity prices here

Global and domestic prices of cotton, edible oil and soyabean may firm up if talks between the US and China move toward a resolution of the ongoing trade war.

"Constructive trade talks between the US and China will impact positively on commodities, majorly on metals and industrial agri-commodities like edible oil, soyabean and cotton," says Anuj Gupta, deputy vice-president of commodities research, Angel Commodities Broking.

Chinese and US negotiators are planning talks to resolve their trade row from August 21. Gupta says the prices of these commodities fell sharply after a tariff war between the two countries started in April this year. Both the US and China have put tariffs on an estimated $34 billion worth of imports from either of the countries.

"The trade war scenario between two economic giants led to a fall in prices of commodities as buying and selling between two major buyers and sellers stopped.

For example, cotton prices which were at 94 cents per pound fell to 81 cents per pound. Now, with trade talks commencing, the global and domestic markets are expected to react positively," says Gupta, adding that after this tariff and trade war, some demand has shifted to India.

On Ncdex, soyabean prices were hovering around Rs 3,900 a quintal in April and this month prices have made a low of Rs 3,282 a quintal.

In international markets, soyabean prices corrected almost 24 per cent since April 2018 from the highest level in April 2018 of $1,067 per bushel to $810 per bushel.

Further, palm oil corrected almost 9 per cent from $2,418 per tonne in April to $2,190 per tonne this month. On MCX, prices also corrected almost 11 per cent from Rs 660 per 10 kg to Rs 590 per 10 k ..

Exporters and companies say that with the Chinese delegation travelling to the US for talks on August 21 and 22, the markets are hoping for higher rates.

"We are closely watching the talks between USA and China. Indian cotton trade gets to benefit from both sides. If the talks are successful, then global prices will see a jump. Prices of cotton in global marketNSE 0.00 % have seen a drop of 7 per cent to date, since the time the trade barriers were announced," says Atul Ganatra, president of the Cotton Association of India.

Domestic prices are competitive and may simultaneously see a jump, he says. "However, if the talks fail, then also we gain, as we cater to the Chinese market. Indian companies are signing export contacts for November-December shipments and this year we expect a pick-up in exports to China," says Ganatra.

India is the second largest exporter of cotton after the US to China. Of the 50 lakh bales of cotton imported by China, India only sent 6-7 lakh bales, with the majority of the yarn going from the US. India annually exports 70 lakh bales.

The Soyabean Processors Association of India, which has been pushing for export of soyabean meal that is used in livestock and poultry feed industry, says that domestic prices fell by 5 per cent after the tariff war began in April.

"Volatility in the market is not good for the trade and we expect the situation to ease," says Davish Jain, chairman of the association.

Source: economictimes.com- Aug 21, 2018

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BIMSTEC envoys bat for FTA

Modi will attend a summit of leaders of the group in Kathmandu on August 30-31

BIMSTEC suffers from a "lack of visibility" in the region, said the envoys of seven member countries who form the "Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation," who also called for the speedy conclusion of a Free Trade Agreement within the group comprising Bangladesh, Bhutan, India, Nepal, Sri Lanka, Myanmar and Thailand.

Prime Minister Narendra Modi will join a summit of leaders from BIMSTEC countries in Kathmandu on August 30-31 and hold bilateral talks with most of them, including Bangladesh Prime Minister Sheikh Hasina and Nepal Prime Minister K.P. Oli. At an event organised by business chamber FICCI just ahead of the summit, envoys of BIMSTEC countries said the FTA should be the top priority for them.

“It is really disappointing that we are yet to finalise and conclude the FTA which was negotiated in 2004. We need to expedite the BIMSTEC FTA to boost our intra-regional trade from its present level of 7% to 21%,” said Bangladesh High Commissioner Syed Muazzem Ali.

“The visibility of BIMSTEC needs to be enhanced in a region where already a few other regional cooperation groups like ASEAN, SAARC, SASEC are in place,” he added. When asked about a timeline to complete the FTA, Sri Lankan High Commissioner Chitranganee Wagiswara said it was still unclear whether the agreement would go forward during the summit.

“Even for the framework (2004) it took seven years. It is easy to negotiate an FTA between two countries. India and Sri Lanka have it. But when seven countries are involved maybe it is not so easy,” she said.

Others added that at present the negotiations of the 16-nation Regional Comprehensive Economic Partnership (RCEP), due to be completed by the end of 2018, were taking precedence.
The envoys also spoke about the need for the upcoming summit to promote security issues including “terrorism and violent extremism” in the region.

“Terrorism is the most significant threat in the Bay of Bengal region as well as South East Asia and we call for more cooperation amongst the member states on this issue,” said Myanmar Ambassador Moe Kyaw Aung.

Thailand’s Ambassador Chutintorn Gongsakdi pointed out that the India-Myanmar-Thailand Trilateral Highway had not been completed, which is crucial to trade movement between the countries.

Source: thehindu.com- Aug 20, 2018

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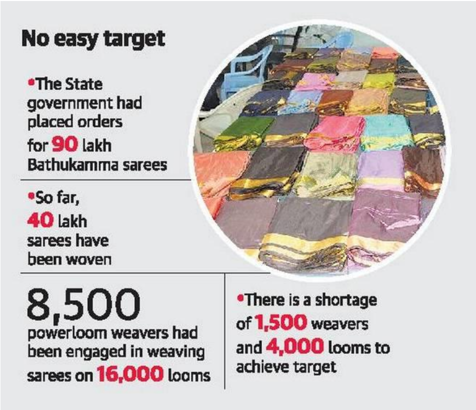
As saree production for Bathukamma lags behind

Owners, workers asked to cancel holidays and expedite production

The powerloom weavers of Sircilla textile town have woven 2.60 crore metres (40 lakh Bathukamma sarees) against the target of 5.94 crore metres. The weavers have to weave an additional 3.34 crore metres (50 lakh Bathukamma sarees) to be distributed to the below poverty line people during the Bathukamma festivities in October.



In order to provide regular employment and higher income to the powerloom weavers of Sircilla textile town, the State government had placed orders to the tune 90 lakh sarees along with blouse pieces.

A total of 80 colours of Bathukamma sarees along with six colours of blouses would be woven on powerlooms, to be distributed among the womenfolk.

At a review meeting with the powerloom weavers, owners and others in Sircilla textile town on Monday, Collector D. Krishna Bhaskar asked the powerloom industry to expedite the production of the Bathukamma sarees before October 5, the stipulated deadline.

Instructing the powerloom owners to increase number of looms and workers for the production of the sarees, he also asked them to rope in the weavers of other districts to achieve the targeted production.

He said that the government was helping the powerloom industry through the bulk orders worth ₹300 crore. "It is the duty of the powerloom weavers of the town to achieve the target before deadline. Or else, the government would stop placing orders in the future to the Sircilla town", he warned.

AD (handlooms and textiles) Ashok said presently only 16,000 powerlooms were being used by 8,500 weavers to produce sarees. But an additional 4,000 powerlooms and 1,500 more weavers have to be added to achieve the target by October 5.

He asked the owners and workers to cancel their holidays and focus on production by working round the clock. He also said that the government would procure more sarees than the set target. Trainee Collector Rahul Sharma and others were also present.

Source: thehindu.com- Aug 20, 2018

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Karur coming up as a strong knitwear center

Kay Ventures has teamed up with Hydra Micro Business Solutions to convert Karur into a global knitwear center. Karur is a hub for quality made ups and home textiles in Tamil Nadu. Tirupur is another major cluster known for cotton knitwear.

Though these towns are just 100 km apart, growth of Tirupur has been phenomenal. While Karur's export turnover is Rs 4000 crores a year, Tirupur has breached the Rs 40,000 crore mark.

One of the key factors behind this stark difference is the size of segments they cater to. The size of the clothing sector is many times more than the home textiles market.

However, this is set to change because knitwear made an unnoticed entry into Karur sometime in 2016. Hydra is an economic framework that makes it possible for multiple entities to collaborate, think and function like a single entity on a single platform.

The Kay Ventures knitwear cluster in Karur annually produces 7.50 million pieces of knitwear, predominantly for leading domestic brands and export.

Efforts are under way to increase the capacity to 20 million pieces per annum to accommodate more orders in the near term. Kay aims at expanding its knitwear capacity to 10,000 machines in the next four years.

Source: fashionatingworld.com- Aug 20, 2018

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