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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 105 of 2018 May 22, 2018

USD 68.01| EUR 80.00 | GBP 91.28 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20079	42000	**79.13**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
21030	43990	**82.88**

International Futures Price

NY ICE USD Cents/lb (July 2018)	88.42
ZCE Cotton: Yuan/MT (May 2018)	18,000
ZCE Cotton: USD Cents/lb	**109.00**
Cotlook A Index – Physical	**92.05**

Cotton guide: In the series of Chinese state run cotton auction for the first time the offered and sold ratio was cent percent. On Monday 137,800 bales were offered and sold completely. However the cumulative turnover rate is only 58 per cent. This means recent development in China pertaining to crop loss due to hailstorm and latest development on US- China is keeping the Chinese cotton price higher led by higher demand. Interestingly, ZCE cotton has witnessed highest trading volume and record open interests.

The volume on the ZCE cotton futures reached more than 38 lakh contracts, after adjusted for the one side volume this means 43.767 Million bales of cotton on this one day alone which was nearly equal to twice the expected 2018 Chinese production. We think market may remain upbeat in the near term.

The ICE future is likely to surpass 90 cents very soon. Interestingly the all technical indicators have not been completely overbought yet.

This morning while writing report at 8:30 AM IST, ZCE cotton is up by 200 points and the ICE future has further elevated to trade at 89.10 cents up by 0.77% higher from the previous close. We believe the relief rally is expected to continue to hit 90 cent as psychological barrier.

Nonetheless, any clarity from fundamental updates, weather development in China and US and technical pattern shall confirm the fresh move beyond 90 cents to keep the market positive in the near to medium term. For further details please access kotak commodities research reports.

Currency Guide:

Indian rupee appreciated by 0.2% to trade near 67.97 levels against the US dollar. Rupee hit a 16-month low of 68.1575 yesterday but has recovered amid easing worries about US-China trade war and correction in US dollar index. Risk sentiment improved as US-China put their decision to impose tariffs on hold till they discuss ways to reduce trade deficit.

The US dollar index corrected from 5-month high as yields fell and euro benefitted from hopes of government in Italy. However, weighing on rupee is persisting strength in crude oil price which threatens to widen trade deficit and boost inflationary pressures. Rupee has fallen sharply in last few weeks and position squaring could result in some choppiness however we may not see much appreciation until crude oil price correct. USDINR may trade in a range of 67.8-68.2 and bias may be on the upside.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

US: Apparel Sourcing's C-Suite Say Prices Are Rising—But That's Not Their Biggest Concern

Whereas prices were once the prime pain point for apparel sourcing executives, new supply chain needs are now commanding more of their attention.

For one, conversations are increasingly centered on how to do things smarter rather than solely on how to do them cheaper. And more than that, it's about how to reach operational efficiency and still deliver on margins.

"I clearly see price inflation going on," Guido Schlossman, president and CEO of Synergies Worldwide said speaking at the Sourcing Journal Summit in Hong Kong earlier this month.

"There's a lot of price-driven campaigns happening in the market at the moment, but really the challenge is how to work smarter in your own operation in order to avoid the cost increase happening. And I think that's the challenge we are facing."

What's more, Schlossman said, "We have to do things smarter, to do things faster to make sure that we can still actually generate the margin that we need in a price deflationary environment."

To Raymond Tan, CEO of leading Hong Kong-based consumer goods supply chain group Luen Thai Holdings, micro cost has been outmoded.

"It's really about your sell-through margin," Tan said. "It's about your speed and everything focused with that, so it's really not about the micro cost anymore."

What will drive the supply chain to consider sell-through margins over solely price, according to Tan, will be to manage what's been a horizontal supply chain in a vertical way.

"Just think about that," Tan said. "How are our brands, our customers, ourselves participating in managing a horizontal supply chain vertically through digitization?"

Sure, brands can hone in on the micro cost and give that the lion's share of attention, but if they've saved $1 on a $5 garment and can't sell it, they've wasted $4.

"So, the question is not about whether you want to save that dollar, the question is about are you able to sell that garment at the sell-through margin. The ability to have your organization—whether you are an agent, whether you are a manufacturer—to have your data available to integrate the horizontal supply chain so that it can be managed vertically, becomes very critical in the future," Tan said.

The challenge of reconciling dated ways of thinking about pricing with the new demands of the modern supply chain, is one the entire industry has faced—Li & Fung included.

And naturally, speed has been the biggest bane in the efforts to rejigger the supply chain.

"Speed is definitely a key factor with respect to improved margins, because if you're faster, you're leaner, you're not as layered, so there's an operational cost efficiency associated in that," said Robert Sinclair, president of supply chain solutions at Li & Fung.

Chasing a lower price has been the M.O. for supply chains for decades, Sinclair said, and though that won't ever really go away, the key for moving forward will be to really look at the supply chain holistically. And brands and retailers won't come away unscathed in fessing up to support the modern supply chain.

"Expecting the supplier to always be the only entity or stakeholder in the supply chain to come up with that lower price is no longer realistic," Sinclair said. "Everyone has to do their part and our clients are needing to change."

To get there, it won't be about speed just for speed's sake, but speed initiatives that are designed to be leaner and more efficient. If they are, Sinclair said, the need to drop prices and be more promotional becomes somewhat mitigated as more gets sold through at targeted margins.

"Yes, there's going to be those layers in the market that are coming out with competitively-priced product, but as Raymond [Tan] rightly pointed out, just because it's cheap doesn't mean it's going to sell. It has to be relevant and it has to be what the customer wants at a fair price." While it seems simple enough, traditional players set in their traditional ways are still stuck for embracing the new mindset.

"I guess the biggest challenge in this environment is...we have too much of the old historical reasons for not being able to transform ourselves," Tan offered, adding however, "I'm not going to look at the micro cost, I'm just going to look at how do I manage my supply chain vertically."

Source: sourcingjournal.com- May 21, 2018

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WTO Indicator: Trade Growth Seen Softening on Trade Tensions

The World Trade Organization's latest World Trade Outlook Indicator shows the current strong rate of trade expansion is likely to continue, though it will slow slightly in the second quarter of 2018.

The World Trade Outlook Indicator's (WTOI) current value of 101.8 remains above the baseline value of 100, but below the previous value of 102.3. The WTOI report said this suggests continued solid trade growth in the April to June period, but likely at a somewhat slower pace than in the first quarter.

The recent dip in the WTOI notably reflects declines in component indices for export orders, but also for air freight, which may be linked to rising economic uncertainty due to increased trade tensions, the report said. While the air freight index remains above trend at 102.5, it has lost momentum in recent months, the report noted.

Container port throughput also remains above trend at 105.8, but it shows signs of plateauing, while automobile sales (97.9) and agricultural raw materials (95.9) are currently weighing down the WTOI. In contrast to the mixed results elsewhere, the index for electronic components trade (104.2) has turned up, climbing above trend.

The latest results are broadly in line with the WTO's most recent trade forecast issued last month that predicted a moderation of merchandise trade volume growth of 4.4% this year from 4.7% in 2017. Risks to the trade forecast posed by rising trade tensions remain present, the WTOI report stated.

This came as the U.S. and China seemingly remain at odds over threats and counter threats over tariffs and trade imbalances. The U.S. retail, apparel and footwear industries have implored the Trump administration not to impose tariffs due to the higher prices on consumer goods they said it would bring and how it would disrupt the global circular supply chain.

Perhaps reflecting the concern over potential trade conflict, the forward-looking export orders index dropped sharply, falling from an above-trend plateau to a below-trend value of 98.1 in the latest month.

Designed to provide "real time" information on the trajectory of world trade relative to recent trends, the WTOI is not intended as a short-term forecast, although it does provide an indication of trade growth in the near future.

Readings of 100 indicate growth in line with medium-term trends and readings greater than 100 suggest above-trend growth, while those below 100 indicate the reverse.

Source: sourcingjournal.com- May 21, 2018

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New Tariffs on China "On Hold" After Progress in Trade Talks

The Trump administration is "putting the trade war [with China] on hold" after the two sides agreed on a framework for progress on trade issues during talks held May 17-18 in Washington, D.C., according to Treasury Secretary Steve Mnuchin.

Specifically, the White House will suspend plans to levy an additional 25 percent tariff on $50 billion worth of imports from China in response to a Section 301 investigation concluding that Beijing is coercing U.S. companies into transferring their technology and intellectual property to Chinese enterprises. Those tariffs would have affected more than 1,300 products and could have been imposed as early as May 23.

According to a joint statement, China agreed to "significantly increase purchases of United States goods and services" to help reduce its trade surplus in goods with the U.S., which has been a prime focus for President Trump. Administration officials had previously pressed China to reduce this surplus by $200 billion by the end of 2020, but the statement did not refer to any specific figures.

Instead, the statement indicated that there was mutual agreement on securing "meaningful increases" in U.S. agriculture and energy exports to China, with a U.S. team slated to visit China to work out the details. However, the two sides were only able to agree on the need to "create favorable conditions to increase trade" in manufactured goods and services, with no indication of how that will be pursued.

On other long-standing trade irritants, the statement said the two sides agreed to (a) strengthen cooperation on intellectual property protections, with China pledging to advance relevant amendments to its laws and regulations in this area, and (b) encourage two-way investment and strive to create a fair, level playing field for competition.

Source: strtrade.com - May 22, 2018

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China remains top apparel supplier to the US

US imports of apparel from China during January-March 2018 were 0.87 per cent higher than in the same period of 2017.In volume terms, Chinese exports to the US increased 3.74 per cent.

In 2017, China's apparel exports to the US fell 3.17 per cent. But these exports were 33.67 per cent of total apparel imports of the US in terms of value and 42 per cent in volume.

In the first three months of 2018, China's share remained the highest, but was dwindling. In value, China's share in US apparel imports was 30.17 per cent and in volume 38 per cent.

Vietnam is the second largest apparel supplier to USA. US imports of apparel from Vietnam during January-March 2018 increased 3.32 per cent compared to the same period in 2017. In 2017, Vietnam's apparel exports to the US had clocked a seven per cent growth.

US imports of garments from Bangladesh during January-March 2018 fell 0.92 per cent. In volume terms, imports fell 0.06 per cent. In 2017, imports from Bangladesh were down by 4.46 per cent. US buyers are diversifying their sourcing base.

Imports have surged from Turkey, Myanmar, Cambodia, AGOA countries for mass apparel. And imports have clocked impressive growth from the fashion capitals of the world - Italy, France, Spain.

Source: fashionatingworld.com - May 21, 2018

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Bangladesh apparel exports up nine per cent

Bangladesh's apparel exports grew 9.37 per cent year-on-year in the first ten months of the fiscal year. Exports increased 6.41 per cent year-on-year in the July-April period. The earnings slightly missed the periodic target.

Exports rose 7.11 per cent year-on-year in April riding on the higher shipment of garment items. Although the receipt is 0.51 per cent higher than the monthly target, it was the lowest in six months.

Knitwear exports rose 11.43 per cent and woven garments exports were up 7.42 per cent. Cotton, cotton products, and yarn exports went up by 19.01 per cent, jute and jute goods increased 7.66 per cent, home textile exports rose 13.07 per cent, leather and leather goods were down 10.02 per cent.

The industry is confident of achieving more than ten per cent garment export growth at the end of the fiscal year as the trend in the international market shows very bright prospects.

Source: fashionatingworld.com - May 21, 2018

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U.S. commodity exports to China to rise amid trade talks, but volumes are capped

China has pledged to buy more U.S. goods to reduce America's huge trade deficit and help avoid exacerbating a trade war between the world's two biggest economies, with energy and commodities high on Washington's list of products for sale.

The U.S. trade war with China is "on hold" after the governments agreed to drop tariff threats and work on a wider agreement, U.S. Treasury Secretary Steven Mnuchin said on Sunday. Washington is especially keen to sell more of the United States' surging oil and gas production.

Yet infrastructure bottlenecks mean energy and commodity exports can grow only gradually, and only if U.S. oil, gas and other goods remain cost attractive against global competition.

Morgan Stanley estimates it could take up to three years to increase Chinese purchases of U.S. goods by $60 billion to $90 billion, with a rise in agricultural imports in the near term followed by energy.

OIL & GAS

Total U.S. oil and gas exports to China in 2017 were worth $4.3 billion, based on average prices, a far cry from a deficit reduction target of $200 billion.

But U.S. exports are rising, and China has spent $2 billion on U.S. oil in the first quarter of 2018 alone.

Increased purchases of U.S. oil will help China replace Iranian supplies, which are expected to fall as the United States re-imposes sanctions on Tehran.

"Buying U.S. crude would help with the Iranian situation in ... that these barrels from the U.S. would provide additional supplies at a time when buyers will be expected to cut Iranian volumes," said Michal Meidan of consultancy Energy Aspects.

China's U.S. oil import bill this year could rise to $9 billion to $11 billion with purchases rising to 300,000 to 400,000 barrels per day (bpd) in the second half of 2018, according to Energy Aspects.

That would still be only a fraction of China's import needs of 9.6 million bpd in April, worth around $20 billion. And while U.S. exports may grow somewhat, infrastructure bottlenecks for the time being hold back sales.

U.S. oil export terminals are small by global standards and the biggest tankers - Very Large Crude Carriers (VLCCs) - don't fit through the Panama Canal. Having to take the detour around Africa, they are at a cost disadvantage against producers from the Middle East, Africa and Europe.

Washington also wants the United States to export more liquefied natural gas (LNG) to China. In 2017, China overtook South Korea as the world's second biggest buyer of LNG, only behind Japan. China is looking to low cost sources of energy to reduce its use of coal and cut pollution.

While LNG shipments have increased, there are only two major export facilities operating in the United States, both of which have largely contracted out their supplies. There are also restraints in China due to pipeline and terminal capacities.

Additional liquefaction units are under construction at five U.S. locations.

If Chinese companies were to become partners in the U.S. export projects still under development and in need of customers and financing, U.S. LNG exports to China could surge.

"At least 13 percent of total U.S. LNG cargos went to China, and we expect this number to grow as more U.S. firms sign long-term agreements with Chinese buyers as their nation continues to develop its gas infrastructure," said Charlie Cone, LNG Proprietary Analyst for energy data provider Genscape.

AGRICULTURE

China could direct its state-owned soybean crushers to buy more of America's surplus oilseed, said Paul Burke, North Asia regional director for the U.S. Soybean Export Council.

That would potentially add 14 million tonnes of imports worth $6 billion to this year's trade bill, at the expense of major exporters, Brazil and Argentina.

Soybeans were the United States' second-largest export to China by value, worth $12 billion last year.

China easing controls on processing imports of genetically modified strains of corn and fully allocating its low-tariff import quota for wheat would also add to grain shipments.

Analysts reckon buying more poultry, beef and pork would be another way to boost trade, but tough import regulations would likely limit volumes without big concessions from Beijing.

Beijing removed anti-dumping tariffs on U.S. poultry in February after eight years, but a ban due to avian influenza remains in place. Without the ban, the U.S.-China poultry business could be worth up to $600 million, an industry expert estimated.

China has in the past made large purchases of American pork for its strategic reserves. There is also strong demand for imported meat among the country's middle class consumers.

But China has zero tolerance on the use of growth promoter beta-agonist ractopamine, widely used by U.S. pork farmers, and synthetic hormones used in U.S. beef.

The government lifted a 14-year-old ban on U.S. beef last year, but it has only approved a dozen processors for export.

In the first quarter, U.S. imports accounted for less than 1 pct of China's total beef imports, but a pick-up in purchases would challenge Australia, Brazil and Uruguay.

"Big (meat) purchases and shipments need time to put together. You can't just turn on the spigot," said an industry source who declined to be identified.

Source: reuters.com - May 22, 2018

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USA: With China tariffs in flux, supply chains set sights on Vietnam

- U.S. businesses are sourcing more products and goods from Vietnam, with imports doubling in the last five years, according to data from Descartes.
- Despite China and the U.S. agreeing to suspend tariffs, many supply chain managers are considering a backup plan and eyeing Vietnam as an alternative sourcing destination, Melissa Harrington, sales director of content business at Descartes, told Supply Chain Dive.
- The top products sourced from Vietnam include furniture, textiles, tires and electronics.

Dive Insight:

For now, tariffs on products traded between the U.S. and China are "on hold," Treasury Secretary Steve Mnuchin said. But hours later, U.S. Trade Representative Robert Lighthizer said the U.S. might still resort to tariffs.

With trade negotiations uncertain, supply chain managers have to plan for any scenario.

Being prepared requires looking at the data and forming a plan B, Harrington said. "Where are they importing from today? What are the duties they're paying today? What are the ramifications if they're hit with a 25% tariff on one of their goods, and how are they going to adjust to that?"

But even before the tariff tit-for-tat with China, many companies have been looking to Vietnam over the past few years as another place to source goods. Exports from Vietnam to the U.S. totaled $46 billion last year, and that figure is expected to rise to $51 billion by the end of this year.

Harrington outlined a few reasons the Vietnamese market is appealing for businesses:

- It's one of the world's fastest growing economies.
- The government is open to foreign investment and strives for transparency and ease of doing business.
- Its strategic location positions the nation as central to several of the world's main shipping routes.

Sourcing from Vietnam doesn't come without risk, however. In FM Global's Resilience Index, Vietnam received a score of 19/100 for quality of local suppliers. China's score of local supplier quality is 45. In addition, Vietnam's evolving economy continues to have issues with sustainability and unsafe or forced labor.

With those known risks, transparency is key for sourcing managers looking to import goods from Vietnam, Harrington said.

"As long as you know who your supplier is and make sure that they're very transparent with you, the benefit definitely outweighs the risk," she said.

Source: supplychaindive.com - May 21, 2018

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Pakistan: Trilateral trade accord to boost global textile market share

A trade accord between Pakistan, China, and Vietnam could help claim 50 percent share of the global textile market, a study suggested on Monday.

“China’s share in the textile export was 36 percent, Vietnam contributed 12.4 percent, and Pakistan 7 percent, therefore a trilateral products’ specific agreement between the three countries can make a huge difference,” Federation of Pakistan Chambers of Commerce’s (FPCCI) Research and Development Department said in a report.

The study was conducted with the consultation of the FPCCI’s Export Advisory Committee, which was formed in compliance with Prime Minister’s directives to submit proposals for boosting export from the country.The report contains issues of the export oriented sectors including textile sector which has largest share in Pakistan’s exports.

The study said the regional competitors were upping the ante on textile exports to make inroads into more global markets, while Pakistan, which had almost fallen out of the competition, had even regressed in the worst possible ways owing a number of crippling hurdles.

"Bangladesh is eyeing $60 billion worth of textile exports, India is targeting an increase of $30 billion, while Pakistan's total exports have decrease from $25 billion to $20 billion in which textile sector's share is 61 percent," the FPCCI paper said.

The report also identifies various problems being faced by textile sector including high cost of doing business approximately 11 percent multiple taxes and surcharges. "Low production of cotton bales, limited implementation of government announced support in Strategic Trade Policy Framework (STPF) and Textile Package, uncompetitive utility and raw materials to the textile sector are also among the factors that weighed on the country's textile exports," the study said.

Pakistan is the only country in the region that has seen its total textile exports declining by 10 percent between 2011 and 2018.

Other economies like China, India, Bangladesh, Sri Lanka and Vietnam have grown their exports at a compound rate of 20 percent or above during the same period. Vietnam, a relative newcomer, in the sector posted a compound export growth of 107 percent followed by Bangladesh with 61 percent.

Pakistan predominantly being a textile export economy is struggling to keep the remaining share in global textile markets both in basic and value-added textiles.

Pakistan Bureau of Statistics data showed country's textile exports rose 7.2 percent to $8.79 billion during the first eight months of the current fiscal year of 2018 as value-added sector continued to post recovery in foreign earnings.

Though, in February, textile exports ticked up 7.14 percent year-on-year, they went down 1.81 percent month-on-month owing to value-added sector's failure to sustain the pace of growth in the month under review compared to January 2018. Textile exports, which make up around 60 percent of the country's total exports, were recorded to be at $8.21 billion in the same period of the last fiscal.

Source: thenews.com.pk- May 22, 2018

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Pakistan: Provide power at Rs 8/kWh to textile units: APTMA

All Pakistan Textile Mills Association (APTMA) has asked the government to provide electricity at Rs 8 per kWh to textile units in Punjab along with uninterrupted power supply in the month of Ramazan. The association has also called for the continuation of the relief of Rs 3 per unit as part of the prime minister's textile industry package.

Ali Pervaiz Malik, Punjab chairman of APTMA asked for the subsidy in power tariff as the textile industry of Punjab is unable to operate at an energy price higher than that of the other provinces. The association has asked for uninterrupted power supply as the mills will have to stop production during one and a half shift due to Ramazan fasts.

A delegation of 50 textile mill owners, led by Aamir Fayyaz, central chairman, APTMA and Gohar Ejaz, group leader, APTMA, will meet the finance minister in Islamabad to discuss the energy supply issue, said Malik while addressing the media after the APTMA Punjab general body meeting which was attended by owners of over 100 member mills.

Some textile units will be forced to sack workers as a shift is suspended due to load shedding during the month of Ramazan, he added.

The export growth witnessed by Pakistani textile industry in the recent times can reverse if the industry's production is disturbed by load shedding. Malik also said that PM's relief fund should be announced to cut power costs from Rs 10.5 to Rs 8 per kWh. He has also asked for the system gas quota to be enhanced from 28 per cent to 50 per cent to reduce the high price of RLNG.

The Punjab textile industry will have a tough time surviving with load shedding of 10 hours and high energy prices, said Pakistani media reports quoting Malik.

Source: fibre2fashion.com - May 22, 2018

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Breakthrough year for Sri Lankan apparels

Sri Lankan apparel sector entered a breakthrough year in 2018, in its history of exports.

In the first quarter of this year the company's total apparel exports increased by 4 percent to $ 1.26 billion compared to last year's first quarter exports of $ 1.21 billion.

Last year first quarter exports were actually an 8.2 per cent decline from 2016's first quarter apparel exports of $1.31 billion.

After regaining GSP Plus, the company's apparel exports increased and it now plans to surpass the $ 5 billion annual exports value this year compared to the $4.8 billion in 2017.

Europe is a key market for Lankan apparels. Last year Sri Lanka earned $2 billion from apparel exports to EU, which was 42 per cent of total apparel exports.

In the first quarter this year, Lankan apparel exports to EU increased by 5.2 per cent to $526 million in comparison to $ 500 mn in first quarter of 2017.

Apparel exports to US too increased by 5.1% in this year's Q1 to $576 million from 2017 Q1's $548 million

Source: fashionatingworld.com- May 21, 2018

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Brazil increases types of products to be exported to China

The types of goods to be exported by Brazil to China will be increased, with the inclusion, for example, of rice, dairy products, flour for the production of animal feed and fertilised eggs, said the Minister of Agriculture, Livestock and Supply of Brazil, cited by the country's press.

Minister Blairo Maggi, heading up an official delegation met in Beijing with officials from China's General Administration of Quality Supervision, Inspection and Quarantine, said he had received the guarantee from Zou Zhiwu, deputy minister of the General Administration of Chinese Customs, that a commitment will be made to move forward in the negotiations between the two countries in the China Subcommittee on Inspection and Quarantine.

Among the issues that Brazil will address in the subcommittee later this year are exports of pigs and cattle, meat and processed meats, Maggi said, adding that resumption of negotiations is possible because Brazil has been granted the foot-and-mouth disease (FMD) free country certificate by the World Organisation for Animal Health.

The minister said that the export and import of fruit should also be included in the trade agreements and that China intends to export fish to Brazil.

Brazil is waiting for the arrival of a Chinese veterinary mission on 21 May to inspect 84 poultry, beef and donkey meat cold storage facilities.

China is the largest market for Brazilian agricultural products, consuming 39% of total exports, which in 2017 reached US$26 billion, of which US$20.3 billion accounts for soybeans and US$2.6 billion for cellulose.

In the same period, Brazil imported goods worth US$1.1 billion from China, mainly cotton and cotton textiles (US$288.2 million).

Source: macauhub.com.mo- May 21, 2018

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Pakistan's textile exports jump 8pc

Exports of textile and clothing products recorded an eight per cent growth year-on-year to $11.2 billion in the 10 months of 2017-18, the Pakistan Bureau of Statistics (PBS) reported on Monday.

The partial revival in the export proceeds is the outcome of the cash subsidy offered under prime minister's exports enhancement package. The growth is recorded despite non-clearance of refunds/rebate of exporters. A hefty amount of refund/rebate has already been released in 9MFY18.

Data show the main driver of growth was the value-added textile sector as exports of ready-made garments went up 11.96pc in value and 13.44pc in quantity while those of knitwear edged up 14.65pc in value and 3.7pc in quantity during these 10 months. Exports of bedwear went up 4.77pc in value and 3.17pc in quantity.

The exports of towels posted a paltry growth of 0.52pc in value and 6.7pc in quantity while those of cotton cloth went higher by 1.12pc in value and 4.2pc in quantity during the period under review.

In the category of primary commodities, exports of cotton yarn witnessed an increase of 7.2pc while those of yarn other than cotton recorded a rise of 33.7pc.

Exports of made-up articles, excluding towels, increased 7.3pc whereas art, silk and synthetic textile exports grew 83.09pc during the period under review.

However, exports of tents, canvas and tarpaulin dipped over 39.7pc while proceeds from raw cotton surged by 31.97pc.

The total export proceeds posted a growth of 13.65pc to $19.2bn in July-April 2018 from $16.89bn over the corresponding period of last year. The non-textile exports went up by 21.2pc to $8bn in July-April 2018 from $6.6bn in the same period of last year.

Data show a mammoth increase of 128.96pc in exports of petroleum products, which along with petroleum crude and naphtha, led the increase in overall sector sales.

Exports of carpets and rugs fell by 5.12pc during July-April FY18 from a year ago. Foreign sales of sports goods went up by 7.3pc during the period under review, with football exports higher by 8.8pc. Tanned leather exports, however, shrank by 4.2pc in July-April from a year ago.

Leather products' exports increased by 6.78pc during this period and were mainly led by sales of leather gloves. Footwear exports rose by 11.15pc during the period under review despite facing strong competition especially from Chinese exporters in Europe in spite of preferential market access.

Exports of surgical goods and medical instruments grew by 14.42pc and engineering goods by 11.78pc during these 10 months. Foreign sales of gur (jaggery) soared by 26.76pc, handicrafts 40.28pc, jewellery 10.95pc and molasses 215.98pc while the exports of cement fell by 9.37pc, and furniture 12.28pc during the period under review.

In the food basket, exports of rice witnessed an increase of 24.77pc owing to higher foreign sales of both basmati and non-basmati rice.

Source: dawn.com- May 22, 2018

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Vietnam: Four key industries in HCM City report strong growth

In the first four months of the year, HCM City's Index of Industrial Production (IIP) increased by 6.07 per cent compared to the same period last year, according to the city's Department of Industry and Trade.

Key industries such as food and beverage processing rose by 6.6 per cent; the chemical industry, by 6.2 per cent; the mechanical industry, by 2.6 per cent; and electronics production, by 13.6 per cent.

The four key industries are continuing to grow strongly thanks to market expansion, investment in equipment and quality improvement.

In addition, the city's textile industry is also growing and is expected to see a major breakthrough when the restructuring of enterprises is completed this year.

Textile enterprises will also improve quality and professionalism, reduce imports of raw materials, and export materials to other countries.

In the first four months, the production index of the textile industry rose by 6.68 per cent.

Source: vietnamnews.vn- May 21, 2018

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Pakistan will fail to achieve export target: FPCCI

Pakistan will be unable to achieve its target set under the Strategic Trade Policy Framework (STPF), according to a report prepared by the Federation of Pakistan Chambers Of Commerce and Industry (FPCCI) Research and Development Department.

The study was conducted in consultation with the Export Advisory Committee of FPCCI, which was formed in compliance with the prime minister's directives to submit proposals for enhancing exports.

Exports projected to grow to $28 billion in fiscal year 2018-19

"The target set for STPF 2015-18 is $38 billion. Data of 10 months shows that only $19.3 billion worth of exports have been recorded," an FPCCI official said requesting anonymity.

"On a monthly basis, less than $2 billion of exports are recorded. So, if the same trend continues for another two months, then crossing $25-billion barrier would be an achievement," the official added.

Pakistan has been facing immense pressure as foreign exchange reserves continue to fall amid widening trade and current account deficits.

Ministry seeks rebate to take IT exports to $10 billion

The FPCCI report sheds light on export-oriented sectors including textile, which has the largest share at 61% in Pakistan's exports. It also says Pakistan has set an export target in textiles far below its competitors.

Bangladesh has set a target to achieve textile exports worth $60 billion, while India's increase alone is set at $30 billion.

The report also identifies various problems being faced by the textile sector including high cost of doing business, multiple taxes and surcharges.

Focus only on boosting exports is a bad strategy

"Low production of cotton bales, limited implementation of government announced support in STPF and Textile Package, uncompetitive utility and raw materials to the textile sector are major reasons for failing to achieve export targets," the official added.

Source: tribune.com.pk- May 22, 2018

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100 Indian traders may take part in China's first import-only fair in November

At least 100 Indian exporters from sectors such as leather, auto components and pharmaceuticals will take part in China's first exclusively import fair which will be held in November with an aim to step up purchases from abroad to stem criticism over running high trade surpluses with many countries. India, for instance, has a staggering trade deficit of about $58 billion with China.

At a time when it is facing intense trade tensions with the US, China intends to reduce importexport gaps through the first of its kind import-only fair. "China wants to import more and has called all countries to export to it to show that it is using imported items for domestic consumption," said an official, speaking on condition of anonymity.

India's exports to China in the April-February period of 2017-18 amounted to $11.5 billion while imports added to $69.4 billion.

China has on multiple occasions promised India to address the high trade imbalance between the two countries.

"China wants to show it, too, is an open country. India will participate in the fair," the official said and added that there's pressure on China from many countries to give market access.

India is keen to make use of these openings as China tries to address its imbalanced trade with the rest of the world.

Mostly manufacturers from India are expected to be part of the fair, which is to be held in Shanghai.

"Our focus is on sectors where we need market access, both traditional and new," said an industry expert.

Exporters of processed foods, marine products, value-added organic chemicals and textiles will also be encouraged to participate in the expo, officials said.

In the next five years, China expects to import products and services worth more than $10 trillion.

This provides enterprises across the world an opportunity to enter the huge Chinese market.

Enterprises from more than 100 countries and regions are expected to participate in the expo, which is likely to feature supplydemand matchmaking meetings, seminars and product releases.

China will facilitate participation in the expo in terms of customs clearance, inspection and quarantine, provide long-term one-stop transaction services online and offline, and strengthen protection of intellectual property rights to safeguard the rights and interests of merchants.

Source: economictimes.com- May 21, 2018

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Andhra Pradesh govt plans MSME Parks in every Assembly segment

The Andhra Pradesh government has come up with an ambitious M-Parks (Micro, Small and Medium Enterprises Parks) Policy with the objective of creating at least 200 such parks across the State by the year 2023.

The idea is to have one M-Park with an investment of ₹225 crore to create 1,500 jobs in each of the 175 Assembly constituencies, with a newly-created AP MSME Development Corporation overseeing the process.

The overall target is to create around 200 parks by 2023 with 30,000 MSMEs with an employment potential for three lakh people and an investment of ₹45,000 crore, according to the Chief Minister’s Office.

But, financial crunch and non-availability of land have become major impediments in rolling out the policy, official sources said.

“We could so far identify required land in only 42 Assembly segments in different districts for the proposed M-Parks,” a senior Industries department official said.

“Revenue officials are still working on identifying land in each constituency for these parks and that process might take many more months,” he said.

Each M-Park is proposed to be set up in an extent of 100 acres in each of the 175 constituencies with the state government providing ₹10 lakh per acre as subsidy for infrastructure development.

The total fund required for this is ₹1,750 crore, while the government has earmarked only ₹100 crore towards this in the 2018-19 Budget.

This apart, the M-Parks Policy also promises a 50 per cent grant of the total project cost (excluding land value) but no budgetary provision has been made for this, the official added.

“Anyhow, we are going to kickstart the MSMEs in June, initially where land is readily available. Other parks will follow,” he said.

Focus of the M-Parks Policy will primarily be on manufacturing and the state government has identified sectors like small engineering, fabrication, plastics, automobiles and textiles that have large scope for employment creation.

Hitherto, the so-called entrepreneurs used to get land allotted, raise a shed or so and never actually run the unit after availing the subsidy, the official claimed.

“Under the new policy, however, we will ensure that the units are functional with real employment creation. We are involving the local public representatives also to make the MSMEs effective,” he added.

The state government has mooted the idea of promoting large and mega enterprises as anchor investors in the proposed M-Parks so as to enhance the market prospects of the MSMEs.

At least ten per cent of the total land in each M-Park will be earmarked for large and mega enterprises to give a thrust to industrial promotion across all regions of the state.

The AP MSME Development Corporation will provide necessary business development support to MSMEs like improving quality, marketing, exports, access to warehouse facilities and skill development once the M-Parks are established.

Source: thehindubusinessline.com- May 21, 2018

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Boosting exports: Beyond formalisation – reforming MSME financing

Access to working capital is a major problem for smaller firms, and they habitually get squeezed by their big-company customers.

My recent columns have been about India's Coastal Economic Zone (CEZ) policy, including comparisons with, and possible lessons from China. If we step back and consider India's recent export performance, the need for, and limits of, CEZ policy become even clearer.

Recent news reports highlight the country's sluggish export performance in recent years. The problems began earlier, but demonetisation, a less-than-optimal rollout of the Goods and Services Tax (GST), and the mess in the banking sector—with new cases of fraud piled on a legacy of distressed assets—have prolonged the pain.

Although export growth has picked up, labour-intensive sectors such as textiles, jewellery, and leather have continued to lag. Anaemic exports in general can contribute to macroeconomic vulnerabilities, especially when oil prices remain high, but the big issue is really the need to create more good jobs, and labour-intensive exports have to be part of the strategy of meeting that need.

In my last column, I noted that China is emphasising innovation, finance, and talent for its major CEZs, in ways that India has not. In India’s case, even the supply of workers with basic skills suitable for a range of labour-intensive production is relatively small.

CEZ policy has to address this in ways that China did even before it began pursuing a more capitalist route: in short, India still needs to improve the basic health, nutrition and literacy of much of its population.

This seems like a tall order for CEZs, but one can think of historical examples of employers, enlightened or just pragmatic, who found that it made sense to invest in their workers and the workers’ families to increase productivity. So, it is not outside the realms of possibility.

Essentially, just like the concept of CEZs themselves, the driver of wider involvement in education and skilling is the poor state of governance in India, and the continued failure of the government to deliver on basic human needs such as health and primary education. Of course, the private sector is not guaranteed to provide them either, but CEZs can provide laboratories for trying new approaches. The key idea is that institutions for imparting skills have to be part of the ecosystem.

Financing presents a different sort of challenge. India’s banking mess is just one part of the sad state of the financial sector. Aside from a well-functioning stock market, which helps only a very small fraction of India’s firms, the rest of India’s financial sector is severely stunted.

Access to working capital is a major problem for smaller firms, and they habitually get squeezed by their big-company customers, through delayed payments, or sometimes no payment at all. The lack of a well-functioning court system in India means that small firms typically do not have effective legal recourse either, when financial contracts are reneged on.

As finance flows across the economy, this is one area where simply focusing on the needs of CEZs will not be enough. It is likely that a successful CEZ will draw on a supply chain that extends beyond its borders. Larger firms in a CEZ would still be able to exert market power on their smaller suppliers. For small firms, finance is inherently challenging because of the moral hazard and other asymmetric information problems in financial contracting (of course these have been exploited by large firms in India, as we have seen).

Digital technology provides an important new method for overcoming some of the barriers to small firm finance. Technology also means that scaling up is both feasible and desirable. The relative advantages of personal relationships and local knowledge become less important. In short, financing does not have to be local, and should not be. Financing innovations for smaller firms can transcend CEZs.

The government has created its own electronic exchange for small firm finance, the Trade Receivables Discounting System (TReDS), but much more is needed. Luckily, it seems that new firms are entering this space with a range of business models and approaches to filling some of the gaps in the financing ecosystem, including matching borrowers and lenders, and setting prices.

Even without significant infusions of outside capital, these firms have the potential to remove some of the frictions that plague small firm financing. An analysis of what these firms offer will require a separate column, but one can note examples such as C2FO, Capital Float, Indifi Technologies, LendingKart, and NeoGrowth, among many others.

The government has touted the benefits of sticks such as demonetisation and the GST for bringing smaller firms into the formal sector. A better approach will be to encourage the entry and growth of financial firms that improve the workings of supply chain finance.

Anything involving finance requires regulation, but the key to policy here will be to ensure that regulation is light handed but effective. Of course, banking regulation in India has failed in significant ways, but the Securities and Exchange Board of India (SEBI) provides a more positive example of financial regulation. Ultimately, better mechanisms for smaller firm financing will transform the economy, and support job growth, in CEZs, and elsewhere in the economy.

Source: financialexpress.com- May 22, 2018

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Textile mills see good growth

With cotton prices remaining stable and ruling at lower levels compared to the international market, textile mills have seen a sharp improvement in their fortunes.

Export of cotton yarn, fabric, made-ups and handloom products surged 18% year-on-year (y-o-y) or by $884 million in April.

“The yarn market has gained momentum in recent times and the unsold yarn stock level is one of the lowest in the recent years,” said P Nataraj, chairman, Southern India Mills’ Association (SIMA).

“The demand for coarse and medium counts, especially open-end yarn, both in the domestic market and export market has increased considerably and several mills have got advance booking for few months,” he stated.

“Taking advantage of increased fabric demand, yarn prices have increased during the middle of May when compared to the previous month,” the SIMA chairman said. Prices of the 30s and 40s count hosiery yarn have increased by Rs 5 per kg on an average in the middle of May. Similarly, yarn used for weaving has seen a price increase of Rs 3-7 per kg. “Some mills are booked up to June for fast moving yarn counts,” said K Selvaraju, secretary general, SIMA.

Cotton prices are ruling lower than the international market giving mills the much needed momentum, especially in the export market. Prices of Shankar-6, the popular cotton variety used by mills, are ruling at around Rs 43,000 per candy (a candy is about 355 kgs). The landed cost for imported cotton of a similar variety works out to Rs 48,000-50,000 per candy.

The demonetisation and GST, brought by the government within a span of eight months, had a big impact on the performance of the textile industry. The industry registered only 5.37% export growth during 2017. Textiles and clothing exports increased from $35.5 billion in 2016 to $37.4 billion in 2017.

India, however, managed to remain as the world’s second largest textiles and clothing exporter accounting 4.95% global share, while China, the largest exporter accounted for 34.2% share during 2017. Though India retained its position as the largest cotton yarn exporting country in 2017, Vietnam is fast catching up, industry officials said.

Vietnam, which had 11.93% share in the global cotton yarn trade during 2015, increased it to 18.13% in 2017 registering a 23.93% y-o-y growth during the year as China shifted its major volume of yarn imports from India to Vietnam. Vietnam cotton yarn attracts zero duty while Indian yarn attracts 3.5% duty in China.

“The Indian spinning sector’s long pending demand of extending the MEIS (Merchandise Exports from India Scheme) benefit for cotton yarn export is yet to be considered,” the SIMA chairman said. “If considered, this would enable the Indian spinning segment to have a level playing field and utilise the surplus spinning capacity and also convert the 60-70 lakh bales (a bale is 170 kgs) of raw cotton being exported into value added yarn,” he said.

Source: timesofindia.com- May 22, 2018

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Indian textile markets firming up, says SIMA

The Indian Textiles and Clothing (T&C) industry has registered 5.37 percent export growth in 2017 as against 3.94 percent globally, despite the challenges of demonetisation and GST on the sector, Southern India Mills Association (SIMA) said here today.

"The Indian T&C exports increased from 35.5 billion US Dollars in 2016 to 37.4 billion USD in 2017 and textiles exports (yarns, fabrics and made-ups) were up by 7.82 percent. Clothing exports (garments) increased by 2.82 percent in 2017 compared to 2016," SIMA chairman P Nataraj said today.

India remained the world's second largest T&C exporter in 2017, accounting for 4.95 percent global share, while China, the largest exporter, had 34.2 percent share in 2017,he said.

Nataraj said countries like Germany, Vietnam, Spain and India are capturing the export space vacated by China, registering increase in exports in 2017. In 2017,India sustained itself as the largest cotton yarn exporting country with a 25 percent global market share.

Yarn exports increased by 7.21 percent in the year compared to 2016, Nataraj said in a release. However, Vietnam with a 11.93 percent global cotton yarn trade in 2015, increased its share to 18.13 percent in 2017 and 23.93 percent growth this year as China shifted its major volume of yarn imports from India to Vietnam, where there is zero duty.

Vietnam is not a cotton producer, but imports it and exports yarn to China, while Indian yarn attracts 3.5 percent duty in China. Nataraj said if the Indian spinning sector's demand of extending MEIS benefit for cotton yarn export was considered, it would enable them have a level playing field, use surplus spinning capacity and convert 60 to 70 lakh bales of raw cotton into value added yarn for export, thereby creating jobs for thousands of persons and increase Forex.

Recently,the Government extended MEIS (Merchandise Export from Indian Scheme) benefits for all textiles and clothing exports beyond June 30 2018, except cotton yarn, he said. The stability and advantage in homegrown cotton prices in 2016-17 and 2017-18 cotton seasons had helped the industry mitigate the challenges, Nataraj said. The delay in releasing export benefits like RoSL (Rebate on State Levies), refund of GST accumulated credits, TUF subsidies and also in announcing enhanced duty drawback rates have caused financial crunch for the whole value chain, especially the garment sector, he said.

The yarn market has gained momentum and unsold yarn stock level was one of the lowest in recent years. With increased fabric demand, yarn prices increased to some extent in mid May 2018 compared to the previous month, he said.

Nataraj said demand for coarse and medium counts, especially open end yarn in the domestic and export markets has increased considerably and several mills have got advance bookings for a few months.

"Early refund and clearing of government dues will strengthen the financial position of exports and all other textile manufacturing units to revive from the financial crisis and capture emerging market opportunities," he said.

Source: moneycontrol.com- May 21, 2018

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Textile ministry asks PSUs to buy locally

The textile ministry has asked all ministries as well as departments and public sector undertakings (PSUs) to buy their textile and fabric requirements locally, a move that is expected to boost earnings of artisans in the country.

In a May 15 letter, the textile ministry asked all ministries to give “purchase preference” to local content in the textile sector under the ‘Make in India’ scheme. This order seems to be on the lines of a diktat on flying, where government mandates its officials to fly state-owned Air India for official trips.

The Make in India programme seeks to ensure growth of the manufacturing sector and, thus, create jobs. Though the programme did not achieve the desired result in its initial years, it is expected to in the future.

The textile industry accounts for 2% of India’s GDP (gross domestic product) and 15% of the country’s export earnings. The textile sector, with over 45 million people employed directly, is one of the biggest employment generators in the country.

The textile ministry has also asked ministries to furnish details on “how much of nonlocal content do the government and departments buy from textile sector”, a government official said on condition of anonymity.

The ministries will now ask the departments and PSUs to share their total expense on local and non-local buys with respect to the textile sector.

“We do not think any company keeps a break up of textile or garments or other related things bought from local and non-local sectors. But we will ask them to share as much details as possible,” said the official quoted above.

A senior PSU official, who did not want to be identified, said every government company, one way or the other, promotes local artisans.

“Government companies promote art, culture as well as artisans by buying directly from them. I do not understand what more can a PSU do to ensure that local artisans are given preference in purchase,” said the official.

Government companies like Air India promote local artisans by providing Khadi's utility kit to business class passengers on their flight.

While the Airports Authority of India also promotes local artisans in various ways, it is also planning to promote local culture at upcoming airports.

Source: economictimes.com- May 22, 2018

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Cut in incentives led to 30% drop in textile exports

Nearly a year after the implementation of Goods and Services Tax (GST), exports of textiles as well as garments have been found to have declined significantly.

Manufacturers of textiles and apparels in the state have indicated that exports have gone down by an estimated 30% in Gujarat, after the cut in export incentives that came with the implementation of GST.

"The export incentive has been reduced to 1.6% in cotton while the same for polyester is 1.8%. These have reduced roughly by 4%. This makes our products more expensive in the international market and reduces our competitiveness," said Nitin Thaker, a textile exporter of Ahmedabad.

The situation with apparel exports is no different, "Exporters used to get duty drawback of 7.5% before GST implementation. This has been slashed to 2.5%, due to which there is a significant impact on exports.

As incentives have been cut, the prices of our products have increased," said Arpan Shah, vice-president, Gujarat Garment Manufacturers Association (GGMA).

For apparel manufacturers, it was a double whammy, as some of the key global markets imposed value-added tax (VAT) on apparel exports from India.

"Sri Lanka and Middle Eastern countries are some of the key markets for garment manufacturers from Gujarat. Recently, UAE imposed VAT on apparels imported into their country, which further led to an increase in prices.

With duty drawback slashed, exporters were already struggling to generate export volumes at competitive prices, and they now face a stiffer competition in these regions due to changes in tax rates," said Vijay Purohit, president, GGMA.

According to data provided by Apparel Exports Promotion Council (AEPC), Gujarat accounts for 12% of the apparels exported from India.

Manufacturers also indicated that they are facing stiff competition from their counterparts in Bangladesh and Vietnam. "With a cut in duty drawback, there is stiff competition from international counterparts such as Bangladesh and Vietnam, both of which gets tax incentives in addition to export incentives.

Besides, these countries are preferential importers for several global markets. With major slashing in export incentives here, it is tough to survive the competition," said Bhavin Parikh, a textile exporter from the city.

Source: timesofindia.com- May 22, 2018

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Cotton, a 'seedy' story

The sale of unapproved herbicide tolerant Bt cottonseed may jeopardise both the production and quality of cotton. This has also, yet again, exposed the regulatory lacunae with respect to GMOs. Vishwanath Kulkarni and Rahul Wadke report

Ask any farmer in Vidarbha about herbicide tolerant (HT) cotton and the reply one gets is that he's heard about people growing it secretly but is not aware of who's actually doing it. The situation appears to be no different in Telangana and Karnataka.

And just weeks ahead of the kharif planting season, the unapproved HT cottonseeds are back in circulation in States such as Maharashtra and Telangana.

What's unfolding now is a perfect policy and governance mess. States have seemingly stepped up their vigil against the illegal seeds, amidst demand from a section of farmers that the Centre approve the HT cotton for commercial cultivation. The regulator — the Genetic Engineering Appraisal Committee (GEAC) — has not approved the sale and distribution of HT cottonseeds.

Farmers are taking to HT cotton in the belief that it brings down their costs of cultivation. By spraying herbicide — glyphosate, which kills the weeds and allows the cotton plant to grow — farmers could reduce their costs towards weeding, which forms about a third of the overall cultivation costs, as wages rise amidst shortage of labour.

By way of background, HT cotton was seen as a successor to Bollgard (BG) II, which replaced BG 1 in 2008-09.

Double whammy

But here's the crucial issue: Experts feel the rising cultivation of the unapproved or the illegal HT cottonseeds poses a big risk to the cotton growers in India, who are already reeling under the impact of rising pink bollworm attacks. The widespread use of HT cotton could altogether reverse the production gains over the last 15 years, since the advent of Bt hybrids in 2002. The Government needs to come down heavily on the illegal trade, say analysts.

The South Asia Biotechnology Centre, the New Delhi-based non-profit that brought to light the illegal cultivation of HT cotton through its report last year, expects the area under such seeds to rise this year on higher sales. But the domestic seed industry believes that the crackdown by States against the illegal seeds would lead farmers back to BG II hybrids, which have turned susceptible to the dreaded pest pink bollworm and have already been inflicting heavy losses on farmers. It is to be noted that cotton yields have stagnated after rising dramatically in first few years when Bt seeds were introduced (see table).

Last year, SABC had revealed that the share of the illegal HT cottonseeds was around 35 lakh packets. “We expect that the area under HT cotton could rise further in the dryland regions of Maharashtra in the forthcoming season to around 1.5-2 million hectares, from around 1 million hectares last year,” says C D Mayee, President, SABC and former director, Central Institute of Cotton Research (CICR).

In Telangana, where farmers had planted about a third of the 45 lakh acres under the unapproved HT cotton last year, the Government has stepped up the vigil this year. "About 10 tonnes of the unapproved seeds have been seized so far,” says K Keshavalu, Director of the Telangana State Seed and Organic Certification Authority. “There’s need for a massive awareness campaign to be taken to the farmers on the risks posed by the illegal seeds and the ill-effects of use of glyphosate,” he adds. “A ban on glyphosate could possibly address this issue, as its use is integral to HT seed technology,” explains Mayee.

Recently, the Nagpur Police along with the Maharastra Agriculture Department officers, seized around 3,400 packets of the suspected HT cottonseeds. “This is just the tip of the iceberg,” says Bijay Kumar, Agriculture Secretary, Maharashtra. The State has been trying to break the clandestine supply chain of the HT cottonseeds.

Forked debate

There are roughly two camps at work here. One says that market forces should prevail and that if the farmers want to use these seeds, there is no reason why the government should block the free play of market forces. This argument is a throwback to the introduction of Bt cotton in Gujarat prior to its official introduction.

However, the trouble with this view is that there is acute apprehension over the quality of seeds doing the rounds, as a result of which the farmers may suffer at the hands of fly-by-night operators.

“There have been reports of extensive booking for illegal HT cottonseeds. Since BG-II technology is outdated, the farmers are left with no option but to plant such illegal seeds,” says Kishore Tiwari, farm-activist turned Chairman of the Maharashtra government’s special task force on the agrarian crisis.

“This problem has also risen due to policy paralysis and no substitute to BT cottonseeds. Due to widespread use of BT cottonseeds, the indigenous cottonseeds are not available in the market. Neither the State nor the Indian Council of Agricultural Research and the agriculture universities are serious about supplying the indigenous seed varieties to farmers. As a result, they are forced to buy illegal BT cottonseed, which has no quality assurance. Last year, illegal seeds were extensively planted and this year also the same could happen,” cautions Tiwari.

Farmers’ group Shetkari Sanghatana (Sharad Joshi faction) has been batting for the approval of the HT cottonseed technology. Its leader Raghunath Patil says his organisation has always stood for liberalisation of technology and trade for the farmers.

“The BT technology in India is limited to BG and BG-2, while in other countries it has reached to BG-7. Such technologies are useful for farmers, as they help in enhancing the productivity of their farms. But on the other hand, those who are advocating the use of Swadeshi (indigenous) seeds don’t realise that the use of such seeds leads to lower cotton production,” says Patil. Further, Patil points out that today farmers are forced to buy and plant HT cottonseed in a clandestine manner because of the restrictions imposed on these high productivity seeds.

Former Union Environment Minister Jairam Ramesh, who was at the epicentre of the GMO debate, observes, “India must not be blindly permissive like the US or blindly in favour of prohibition like Europe but intelligently precautionary in its approach to GM.” On the regulatory impasse, he says: “ I don't understand why a biotech regulator has not been put in place when a Bill for it had been finalised in 2011 itself.”

KR Kranthi, head of technical information at International Cotton Advisory Committee, says HT cotton is not suited for the Indian farming system dominated by small landholders.

It would reduce employment in the farm sector. Besides, there is a risk of the weedicide sprayed drifting to the neighbouring land holdings and affecting the crops, he adds.

Anti-GM activists claim that the issue of HT cotton was raised with the GEAC way back in 2008-09. “However, lack of stringent action by both the Centre and States has led to the current situation, putting not only the farmers at risk but also raising the spectre of ecological and health hazards,” says Kavitha Kuruganthi of the Alliance for Sustainable and Holistic Agriculture.

Pricing fracas

HT cotton is considered as the successor to BG II. But Mahyco-Monsanto Biotech India, which had conducted trials of the new generation seeds and was seeking GEAC’s approval, withdrew its application for the BG II Roundup Ready Flex (the ‘RoundUp’ contains glyphosate) in May 2016 after the Government brought in the price controls on Bt seeds.

“We have learnt about illegal RRF herbicide tolerant cotton being planted by farmers in key cotton-growing States across India. As early as September 2008, Monsanto had informed GEAC about seeds being illegally produced and sold by spurious and dubious seed producers to farmers without any approvals from Central or State regulatory agencies, in complete violation of applicable laws. Even in August 2017, we sought their intervention on the gross misuse of patented and regulated technologies which may pose numerous other challenges to India’s cotton ecosystem.

“While the necessary applications seeking permissions for environmental release were being reviewed by the GEAC, this request was withdrawn due to the prevailing uncertain operating environment in May 2016.

It is a matter of grave concern that some seed companies, while suppressing their real intent of profiteering, are attempting to illegally incorporate unauthorised and unapproved herbicide tolerant technologies into their seeds,” says a spokesperson for Mahyco-Monsanto.

The unapproved HT cottonseeds that are being sold in the country now are erroneously being referred to as BG III seeds, which is not correct, say experts.

The annual seed market for the legally approved varieties is estimated at around 4.5-4.8 crore packets (of 450 gram each) and the area under the fibre crop hovers around 12 million hectares.

Industry response

Atul Ganatra, President, Cotton Association of India (CAI), the apex cotton trade body, feels that the government's move to cut prices of Bt cottonseeds is a populist one to please a large population of farmers.

"The reduction in trait value will directly impact the technology providers. BG-II has become ineffective as the bollworms have developed immunity against this gene. We may need newer technology to produce more cotton," Ganatra says.

He adds: "Farmers are unable to get authorised good quality seeds. Last year it was believed that about 35 lakh packets out of the total sale of 4.5 crore packets were unauthorised seeds. We fear there will be 30 per cent rise in such practices this year. This will have an adverse impact on yield and quality of cotton. It is reflected in the prices as India cotton prices are about 10-20 per cent lower as compared to international cotton."

J Thulasidharan, President, Indian Cotton Federation, says the Government should look at this issue strategically, considering that the cotton chain is the biggest employer in the country.

"Bt cotton has lost its value as the yields and quality of the fibre are declining. At this rate we see India ending up as a net importer of cotton over the next two-to-three years," he says.

As it takes at least seven years to develop technology, Thulasidharan says the Government should allow MNCs to bring in the latest technology, which could help the textiles industry sustain its competitiveness.

Modus operandi

Industry insiders say most of the players involved in illegal or unauthorised cotton seeds manufacturing are the ginners spread across the regions of Central and North Gujarat.

The seeds are transported through trucks to Andhra Pradesh. There, about 1,500 seed suppliers package and brand it in loose packets of 450 gram.

These packaged seeds are supplied to rural markets in Telangana, Maharashtra and Gujarat. Sources reveal that it is a racket involving top traders, ginners, village heads, local politicians and government officers.

”The seeds are not available directly but through an underground network. The seed distributors don’t sell the seed packets directly but through strong references. Sale to unknown persons is not possible,” says Sopan Yelge, a farmer from Wadner Bhujang village in Amravati district.

Agriculture Secretary S K Pattanayak says: “Most likely it (the sale of illegal seeds) will come down from this season because of the stringent actions initiated. Those who were peddling illegal seeds thought they could get way with it; now they are realising that is not the case,” Pattanayak adds.

Interestingly, the National Seed Association of India expects a decrease in the illegal cotton area.

“The State governments have asserted that they will crack down on the illegal cotton. We expect to gain as farmers go back to legal seeds,” M Prabhakara Rao, the President of NSAI, told BusinessLine.

A seed company executive, however, is sceptical. “They are saying they will keep tabs. But you will never know how the season pans out. They (illegal operators) could well supply the seed,” he says on condition of anonymity.

Source: thehindubusinessline.com- May 21, 2018

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