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IBTEX No. 233 of 2017 November 22, 2017

USD 64.81 | EUR 76.12 | GBP 85.93 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
17688	37000	**72.85**

Domestic Futures Price (Ex. Gin), November

Rs./Bale	Rs./Candy	USD Cent/lb
18380	38447	**7570**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	70.90
ZCE Cotton: Yuan/MT (Jan 2018)	14,965
ZCE Cotton: USD Cents/lb	**87.04**
Cotlook A Index – Physical	**79.80**

Cotton & currency guide: Cotton futures witnessed mercurial movement on Tuesday. Initially cotton made 10 weeks high but eventually gave up the gains to end the session on a lower note. The most active March future ended the session at 70.14 which made an intraday high of 71.24 cents. Interestingly the December future which is due for its 1st notice period on Friday moved 72.50+ cents per pound but ended the session at 70.90.

Broadly market has well respected the key technical resistance area or range where maximum bears took the center stage to pull the price down. Some cotton merchants sold cotton near 71+ cents, hedge funds/ speculative funds sold the derivative contracts. Nonetheless the initial gains were witnessed due to heavy mills fixation and good cash sales demand.

Going forward the scenario is likely to be challenging with heavy harvesting going on in the U.S. with technical resistance near 71+ area may keep the market checked.

However as said above buying is also aggressive so fall in price may also be restricted. Overall we may observe a sideways trend on the price in the very near term.

With the high price volatility the trading volumes were relatively better. Tuesday volume was around 53K contracts mostly same as previous day. December Open Interest continued to cut down while March maintained on the higher side.

Certified stocks began Tuesday at 47,951 bales, the same as they have been since last Thursday. There were zero bales waiting for review. It will be interesting to see if any of those bales get delivered on December contract.

On the domestic front prices for Shankar-6 new crop are still steady at an average of Rs. 37,750 per candy, ex-gin (74.05 US cents per lb at the prevailing exchange rate). Quotes for new crop Punjab J-34 are slightly weaker at Rs. 3,878 per maund (about 72.45 cents per lb). Seed cotton arrivals continue to rise on an almost daily basis. Tuesday's estimate is 165,500 lint equivalent bales (170 kgs), which includes 42,000 registered in Maharashtra, 36,000 in Andhra Pradesh/Telangana and 32,000 in Gujarat.

On the futures front the domestic MCX futures advanced on Tuesday. The November future moved up to settle the session at Rs. 18580 up by Rs. 240 from previous close while December posted a close at Rs. 18590 almost zero difference between the two contracts. We believe with the ICE future giving up entire gains late in the US session and harvesting increasing in the domestic market the domestic futures may give up gains on today's trading session. The trading range for November may move in the range of Rs. 18670 to Rs. 18390 per bale on today's trading session.

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

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INTERNATIONAL NEWS

USA: Uncertainty is the New Norm in Trade, and New Sourcing Locations Will be Key

This year hasn't been an easy one for trade, with deals becoming defunct or upended, Brexit remaining an ongoing riddle and weather-related catastrophes disrupting global supply chains.

Apart from the stress these market forces may have induced, they've also served as a reminder that agility is in higher demand than ever before.

"Networks that had been relatively stable for years are now in flux," Amber Road said in its Trade Trends Report, released in partnership with the American Association of Exporters and Importers. What's needed now are supply chains built to brace against the key disruptions upsetting the space. Like e-commerce, for one.

The state of the e-commerce shift

E-commerce—no matter how small it's share of overall retail may still be—is drastically reshaping the retail landscape and has had a considerable hand in this year's rampant store closures.

As of the end of August, 6,098 store closures have been announced, which marks a 182 percent increase over the 2,159 major store closures in 2016.

Payless has closed 700 stores, Sears and Kmart have closed 358, Bebe closed all of its nearly 180 stores, J.C. Penney closed 138 and Macy's shuttered as many as 100 doors. And that's just naming a few.

"The tidal wave of store closings that swept through the retail industry in 2016 tool down both old icons and newcomers alike," the report noted. "While part of this was attributable to the global economic climate, a large portion of the impact came from e-commerce replacing traditional sales channels. Yet the wave of store closures that began in 2016 hasn't crested just yet."

The store closure problem seems to be largely the over-stored United States' cross to bear, as store closures in the U.K. this year are down to 584, compared to 1,021 in 2016.

In line with all of these closures, however, consumer spending has been up. "With traditional retail going down, that can only mean online shopping is going up. In response, companies are shifting their sights to e-commerce sales and fulfillment channels," the Amber Road and AAEI report noted.

Sixty-nine percent of those surveyed for the report are currently using online sales channels, and more than half of those that aren't have plans to do so. Fifty-six percent of the companies manage their online channel internally, while 12 percent have outsourced it to a third-party.

"That leaves a gap where disruption can sideline shipments," according to the report.

Whether retailers are up to speed or not, consumers are already designating their dollars to e-tail.

Nearly 82 percent of consumers said they'd shop online channels this holiday, compared to 77 percent who said they'd shop in stores. Three-quarters of all holiday shoppers said they'd be buying on Amazon.

"Traditional retailers will be hard-pressed to lure consumers away from the mammoth online marketplace, so having a concrete plan to manage e-commerce sales is required to succeed," the report noted. "With the increasing trend of preferring online shopping over brick and mortar most prevalent among Millennials and young families, the future of retail is looking more and more digital."

The state of free trade agreements

Shakeups resulting from the U.S. withdrawal from the Trans-Pacific Partnership have forced some companies to rethink their sourcing strategies, and with a heightened need for greater speed to market, the sourcing map seems to shifting.

U.S. shippers pegged Canada as the top import export destination, followed closely by Europe and China. Mexico, South and Central America came next, and only after those are sourcing executives looking to Southeast Asia and Africa to get their goods.

The most used free trade agreement those surveyed pointed to was NAFTA, though the future of that trade deal still remains unclear as renegotiations are ongoing.

“Any company that uses NAFTA for duty-free trade should be watching the proceedings with caution, and making contingency plans should the negotiations go poorly,” the report noted. “One place to look would be other existing FTAs, which have very low utilization rates across many industries.”

The U.S. FTA with Bahrain, with the East African Community (EAC), the South Asian Free Trade Area (SAFTA) are among those least used by survey respondents.

“While the TPP is defunct, ghosts of it may reappear in NAFTA’s new digital chapter. How close it will adhere to the TPP is anyone’s guess, but companies looking to stay ahead of the competition would be smart to begin planning for any eventual changes and new regulations now,” according to the report.

The state of sourcing and supply chain challenges

Sourcing may have been relegated to just another link in the chain in years past, but retail’s ramped up demands have put more focus on what the back office is doing and how they’re doing it.

The biggest challenge for sourcing executives this year has been the United States’ protectionist trade policy agenda. E-commerce competition followed as a close second in terms of concerns.

“These concerns over protectionist policies, which include not just scrapping existing FTAs but also punitive tariffs against major trading partners like China, complicate sourcing decisions immensely,” the report noted. “However, consumers will continue to shop and global commerce will continue to operate, so supply chain professionals must utilize technology to gather and analyze all available data, and use that data to make the best choice possible.”

It's the first time in a while that costs haven't been the utmost concern among sourcing and supply chain executives, and the shift points to a greater focus on the product quality and the time it takes to get it to the consumer—both of which ranked at the top of companies' most important considerations when choosing where to source a product, the report noted, citing the U.S. Fashion Industry Association's 2017 Benchmarking Study.

For now, it's digitization over everything to meet today's demands. Even when it comes to determining where to source product.

"The consumers are already online and growing in numbers each year. Taking your business online to meet them is one of the few avenues for sustained growth amidst a sea of store closings," according to the report. "Companies must also begin to embrace uncertainty as the new norm.

Geopolitical events, protectionist policies, and weather catastrophes can't be controlled, but they can be planned for. Balancing these risks requires proactively seeking out new sourcing locations that can benefit not just the company's bottom line, but also the company's brand and social cachet."

Source sourcingjournalonline.com - Nov 21, 2017

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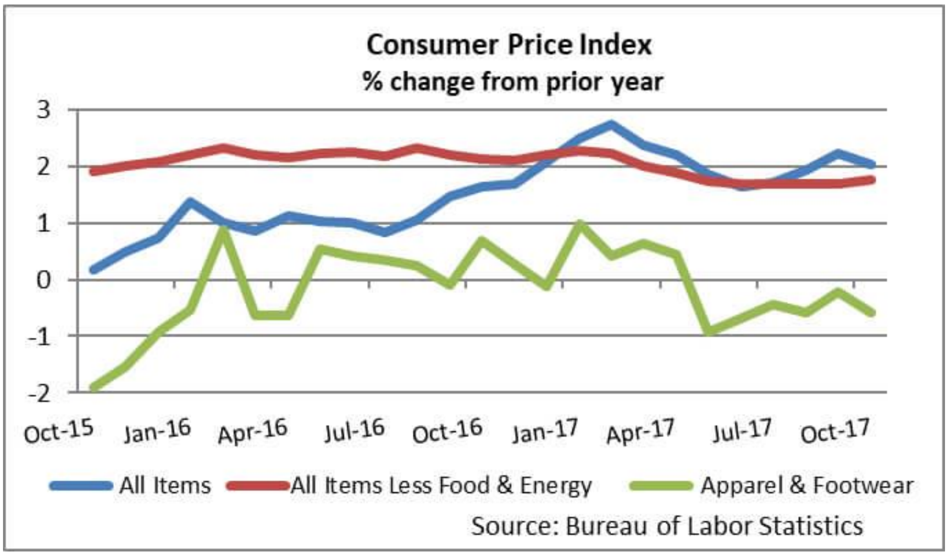
USA: Apparel Prices Edge Down in October, Footwear Prices Suffer Biggest Drop Since 2007

Consumer prices rose by an expected rate in October compared to a year ago, the result of a retreat in energy prices that had spiked at the end of hurricane season, plus flat food prices. Apparel prices dropped slightly year-over-year.

According to the most recent Consumer Price Index (CPI) data released by the U.S. Department of Commerce, prices for all goods and services rose by 2 percent adjusted for seasonality compared to the same month last year, their second biggest gain since January.

The core inflation rate, which excludes food and energy, increased by an expected 1.8%, below the Fed's target of 2 percent.



The apparel and footwear price index fell by 0.6%.

Apparel prices excluding footwear were down 0.2% compared to October 2016, capping six consecutive months of flat or lower performance. Footwear prices fell by 2.1%, their biggest year-over-year drop in over a decade.

Womenswear prices dipped by 0.5% in the month, while menswear prices fell by 0.3%.

The footwear price index was pressured by a big drop in children's show prices.

Source sourcingjournalonline.com - Nov 21, 2017

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Ethiopia bets on clothes to fashion industrial future

Checkered shirts for American chain Gap. Slate leggings for Swedish store H&M. Twill shorts for Germany's Tchibo. They are among a growing list of clothes being stitched together for big brands in Ethiopia.

As labor, raw material and tax costs rise in China - the world's dominant textiles producer - the Horn of Africa country is scrambling to offer a cheaper alternative, and go up against established low-cost garment makers like Bangladesh and Vietnam.

It is still early days, and most of the clothing companies to source production in Ethiopia are testing the waters with small volumes. But the government is working hard to attract their business with tax breaks, subsidies and cheap loans. The landlocked nation is also about to open the final stretch of a 700 km (450-mile) electric railway to Djibouti's coast.

This is part of a drive to turn a nation that is among the poorest in Africa into a manufacturing center that is no longer held hostage to fickle weather patterns which periodically devastate the agrarian economy and leave its people hungry.

There has been some progress; foreign investment in the textile industry has risen from 4.5 billion birr ($166.5 million) in 2013/14 to 36.8 billion in 2016/17, the Ethiopian Investment Commission, a government agency, told Reuters.

"This is a huge success," Arkebe Oqubay, a prime ministerial adviser directing the industrialization drive, said during the inauguration of an industry park in the northern Ethiopian town of Kombolcha this summer. "The challenge now is to bring the world's biggest companies into the country."

Some have already arrived, most of them sourcing some production locally, like Gap and H&M, but a few building factories themselves.

Those to set up factories this year include U.S. fashion giant PVH, whose brands include Calvin Klein and Tommy Hilfiger; Dubai-based Velocity Apparelz Companies, which supplies Levi's, Zara and Under Armour; and China's Jiangsu Sunshine Group, whose customers include Giorgio Armani and Hugo Boss.

French retailer Decathlon and over 150 companies from China and India will begin sourcing production from Ethiopia soon, said the investment commission.

However, while Ethiopia is moving faster than its continental rivals, there is a long road ahead. Logistical, bureaucratic and cotton-quality problems are threatening its ambitions and there are no guarantees it will ever be able to compete with the big global players.

The gulf in textiles exports is huge; Ethiopia's totalled about $115 million in 2015, against Vietnam's $27 billion, Bangladesh's $28 billion and China's $273 billion, according to the World Bank's latest figures.

Ethiopia’s fledgling sector can ill afford the kind of working conditions scandals that have dogged the low-cost garment industry elsewhere, and officials said they were sending representatives to Asia to learn best practices.

ROUTE TO RED SEA

Ethiopia’s road link with the port in Djibouti is outdated and congested in many parts and, together with the limited capacity and dense bureaucracy of its customs service, slows companies’ supply chains. This is undermining the benefits of being closer to European markets than most of its Asian rivals.

It takes up to 44 days from the time a clothing consignment leaves the factory to when it reaches buyers in Europe, compared to an average 28 days in Bangladesh and 21 days in China, according to a report from the Ethiopian Textile Development Institute compiled for investors this year.

This drives up costs. It costs up to $1,870 to export a 40-foot container, compared with $1,290 in Bangladesh and $679 in Vietnam, according to an internal report compiled by a major European clothes retailer and seen by Reuters.

However officials say the $4 billion electric railway between Addis Ababa and the Red Sea, to be inaugurated in the coming weeks, will reduce the transit time to the Port of Djibouti from 2-3 days to eight hours.

Bill McRaith, PVH’s chief supply chain officer based in New York, told Reuters his company saw sub-Saharan Africa as a promising new manufacturing frontier at a time of rising costs and labor shortages in established countries.

PVH arrived in Ethiopia this summer and is building a factory in Hawassa, south of Addis Ababa - an investment which McRaith said was based on a long-term expectation that Ethiopia would become one of the most competitive locations in the world to make apparel for the West.

He said PVH aimed to produce $100 million worth of clothes a year at the factory to be exported.

"Basics operating costs are very attractive but offset by transportation," said McRaith. "The transportation infrastructure, skills training, banking sector ... will all have to be improved," he added. "But the Ethiopian government is further ahead on this than many other countries."

QUALITY CONTROL

Cotton quality and pricing also present a big obstacle to Ethiopia's aspirations - one that is blunting its competitiveness and deterring foreign investment.

While it has an estimated 2.6 million hectares suitable for cotton cultivation, only 130,000 has so far been used, and textile company owners say output from them is 10 times more expensive to purchase than the average international price. They are also often substandard for exports owing to contamination and poor processing, resulting in poor fabric.

While the government has sought to entice investors into its cotton farming industry, this has been complicated by ineffective land management and complex property rights.

Velocity Apparelz Companies started production six months ago at a $50 million factory in Mekelle, northern Ethiopia. It produces 1.5 million pieces of clothing a month but aims to double that within two years, said Erica van Schaik, executive assistant to the executive chairman of Velocity.

However domestic fabric quality problems mean the company has to import their denim, van Schaik said. Good local material could reduce Velocity's costs by up to half, freeing up cash that could be invested in Ethiopian production.

It would also cut the company's lead time - from the beginning of production to arrival in shops - from 110 to 90 days, she said. "That would be like a day-and-night kind of difference. A game-changer."

Investors face other challenges too: foreign currency shortages complicate trade, in addition to ever-changing regulations. The limitations of the financial system mean many foreign-owned textile firms use offshore banks to conduct their trade, depriving Ethiopia of vital hard currency.

With workers' conditions and safety a big concern for investors, the Ethiopian Textile Development Institute said its leadership was traveling to India - another leading global garment producer - for training on best practices.

"The industry in this country is very young - we are taking our very first steps and so everything will not go seamlessly," said communications chief Banteyihun Gessesse. "Countries such as India have vast experience in the field."

Whether Ethiopia can overcome these hurdles remains to be seen.

In Africa itself, it faces competition in textiles manufacturing from the likes of Kenya, Mauritius and Madagascar, but has moved more aggressively to attract business.

The government will spend $1 billion building 15 industrial parks by 2020. Two opened in July, another two will be completed this year. The state bank, meanwhile, provides up to 60 percent of factory expansion costs for companies that sell 70 percent of their products overseas, as well as a 10-year tax exemption and low-interest loans.

Ethiopia can also offer companies lower power costs than most of its continental rivals, thanks to its hydroelectric dams. Electricity costs $0.06 per kilowatt-hour in Ethiopia, compared with $0.24 in Kenya, for example.

Source reuters.com - Nov 21, 2017

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Vietnamese fashion brands warn they may lose home market

Mango has opened two Mango Mega Stores since 2015. H&M opened a shop in HCMC last September. On November 9, Zara opened its first shop in Hanoi.

According to Savills, Vietnam is the fifth country in South East Asia where Zara is present. The arrival of Uniqlo in the near future will make the Vietnamese market even more competitive.

Dang Phuong Dung, deputy chair of the Vietnam Textile & Apparel Association (Vintas), said the presence of the world's famous fashion brands will force Vietnamese companies to invest more in branding.

"Not many Vietnamese companies can develop their own brands and sell products under their names. In general, they do not pay much attention to branding because of IP infringement and counterfeit products," she said.

"However, as more famous fashion brands have arrived, Vietnamese companies will have to build brands of their own to compete," she said.

Lai Tien Manh, a branding expert, and CEO of Midrand, said the presence of more foreign brands has occurred because income per capita has been increasing and demand is increasing.

"Vietnamese companies need to change their business strategies. To date, they have been focusing on doing outsourcing. But they will be uncompetitive if they continue doing this," he commented.

He went on to say that Vietnamese companies are good at producing textiles and garments, but not at fashion design, branding and distribution. They will have to make great efforts to survive in the market.

According to MOIT, in the first six months of 2017, the total textile & garment export turnover reached $14.58 billion, an increase of 11.3 percent over the same period last year, much higher than the 6.1 percent growth rate of 2016. Of this, garments brought $11.84 billion, an increase of 9.1 percent.

Vietnam has been witnessing outstanding growth rate in textile and garment exports in recent years compared with other exporters such as China, Bangladesh, Indonesia and India.

However, Dung commented that the majority of Vietnamese companies focus on exporting products and pay little attention to the domestic market, though it has great potential. Though Vietnam's textile & garment industry is a world leader, it mostly does outsourcing.

Some Vietnamese fashion brands well known in the domestic market such as Viet Tien, Nha Be, An Phuoc and Garment 10 only target mid-range menswear.

Source vietnamnet.vn- Nov 22, 2017

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Pakistan: Increasing price of yarn influencing luxury exports

Exporters of value-added textile goods have said that skyrocketing prices of cotton yarn will have a direct bearing on exports, which have been falling despite all-out efforts to reduce the yawning trade gap.

The Pakistan Apparel Forum (PAF) — a representative body of 12 value-added sectors — noted that during the July-Sept quarter, cotton yarn exports stood at 123,346 tonnes having a value of $320,942 whereas in the same period last year exports stood at 107,122 tonnes having a value of $306,958.

“This clearly shows that during first quarter of this year cotton yarn exports rose by 15.15 per cent in quantity term and 4.56pc in dollar term. If this trend is not checked, it will hurt country’s exports, PAF said.

The forum maintains that the disparity created by allowing 4pc drawback on export of yarn has rendered the value-added textile sector at a disadvantageous position against competitors in the world market.

It would have been in the interest of country’s exports if the government allowed indirect incentive on exports by allowing 4pc Duty Drawback on Taxes (DDT) on local sale of cotton yarn.

But allowing direct incentive is hurting the exports of value-added sector as our competitors are getting cotton yarn cheaper by 4pc, the forum said.

Source: dailyaftabcom.pk - Nov 21, 2017

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Pakistan: Low cotton yield raises cost of doing business: APTMA

Zahid Mazhar Senior Vice Chairman All Pakistan Textile Mills Association (APTMA) has said that failure of cotton yield as anticipated for the third consecutive year has resulted in further increase in the cost of doing business.

He said that the spinning sector is the backbone of the textile value chain which bears the brunt of high cost of doing business for the last few years and making it unviable to do business.

Presently, the spinning industry is incurring heavy losses by selling yarn below its cost due to poor demand from the domestic consumers, he added.

In a statement, he said that the production of yarn is substantially more than the local consumption; therefore, their exports must be encouraged at all costs, otherwise it will result in permanent closure of a large number of mills resulting in unemployment.

Mazhar said that hue and cry regarding increase in prices of yarn in the domestic market does not hold any ground as cotton crop failure for the third consecutive year and the ensuing increase in prices of cotton has increased the cost of doing business for the spinning sector of the country.

Furthermore the cosmetic solutions like imposition of 4 percent custom duty and 5 percent Sales Tax on the import of cotton has further increased the cost of doing business which is already high as compared to the competitors in the region, which is the main reason behind the recent upward movement of price of yarn in the country, he mentioned. In addition to the above, government has also imposed Non-Tariff Measures like restriction on import of cotton from India has also hurt the spinning industry of Pakistan very much, he added.

Senior Vice Chairman APTMA said that in the first quarter of the current Financial Year exports of Knitwear has increased by 15.4 percent in quantity terms and 9.3 percent in value terms, Bed Wear by 1.8 percent and 7.2 percent in quantity and value terms respectively. Ban on yarn exports will result in permanent massive closure of mills contributing to unemployment, he said.

In support of his argument regarding the export of yarn, he said that as per data of Pakistan Bureau of Statistics, total production of Yarn in the year 2016-17 was 3,428,730 tons whereas cotton yarn exported in the same period was 455,345 tons which is only 13.28 percent of the total production of the year.

The domestic consumers of yarn should not expect the spinning mills to subsidize their costs by providing them yarn below cost rather they should explore other avenues to increase their margins.

He further demanded the government to make serious efforts in increasing the size of the annual cotton crop to 20 million bales following the example of India. This on the one hand will boost the income of the farmers and on the other hand reduce the input costs of all the sectors of the textile.

Source: fp.brecorder.com- Nov 22, 2017

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Sri Lanka's Brandix Inks JV With Best Pacific to Improve Synthetics Offering

Seeking to unlock growth opportunities in the fast-evolving sportswear and athleisure domains, Brandix, one of Sri Lanka's leading exporters, has signed a joint venture agreement with global synthetic materials manufacturer Best Pacific of Hong Kong to produce synthetic fabric and webbing in Sri Lanka with specific focus on warp knit synthetic fabric.

An agreement signed by the two companies in the country's capital, Colombo, this week envisages the construction of a manufacturing facility in Pannala for the manufacture of synthetic fabric and webbing.

The joint venture will be managed by Best Pacific, a large solutions provider in the synthetic space.

“This joint venture will propel Brandix's drive toward delivering the most innovative and inspiring products to the consumer,” Ashroff Omar, chief executive officer of Brandix, said.

The Best Pacific Group has established long-term and close collaboration with customers of leading brands like Marks & Spencer, Spanx, Triumph, Victoria's Secret, Wacoal, Aimer, Chantelle, Embry Form and Maniform.

With its strong innovation and product development capabilities, the group not only manufactures synthetic materials for these brands, but also jointly develops new materials and products in order to start new market trends for their products.

Sri Lanka's "Exporter of the Year," Brandix has been ranked the country's most valuable export brand in Brand Finance's ranking of Sri Lanka's leading brands in 2015, 2016 and 2017.

For the year ended Sept. 30, U.S. apparel imports from Sri Lanka fell 4.43% to 458.82 square meter equivalents.

In May, the European Commission, the legislative body of the European Union, granted GSP Plus status to Sri Lanka, giving the country preferential trade status wiht the EU market.

The GSP Plus program offers enhanced preferences meaning full removal of tariffs on essentially the same product categories as those covered by the basic General System of Preferences arrangement.

These are granted to countries which ratify and implement core international conventions relating to human and labor rights, environment and good governance.

Source: sourcingjournalonline.com- Nov 21, 2017

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Bangladesh: BGMEA seeks garment worker wage boards

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has put forward a proposal to the Bangladesh government to alter labour laws and establish 'wage boards' to bring in a minimum monthly wage for workers in the country's ready-made garment (RMG) segment. Workers' rights in the country has been a topic of debate as the complex situation in post-Rana Plaza Bangladesh continues to divide opinion.

Post Accord's extension until 2021 the question of workplace safety has been widely discussed including the fact that many units claim to adhere to guidelines and also claim to be investing in factory/safety programmes, however, people in the industry and employees are wondering when wage board for apparel workers will be implemented.

Siddiqur Rahman, President, BGMEA, says despite adverse situation the sector is currently undergoing, a minimum wage board for re-fixing wages of garment workers in line with the provision of the labour law need to be made.

Wage boards have been implemented in the past. The first minimum wage was established in 1994 when the rate was Tk 940; in 2006 it was Tk 1,662.50; in 2010 it was Tk 3,000; in December 2013 it fixed the minimum wages for garment workers at Tk 5,300.

President of the Bangladesh National Garments Workers Employees League (BNGWEL), Sirajul Islam Rony, had stared earlier, given the huge increase in cost of living for workers in the past five years – wages of RMG sector workers should double. BGMEA's detractors feel the motive of this move is a desire to improve the image of the Bangladeshi garment sector worldwide to enable the country to enhance sales in this segment.

Source: fashionatingworld.com- Nov 21, 2017

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Kazakhstan exports its cotton varieties to eleven countries

Cotton of Kazakhstan varieties is being exported to eleven countries.

This was stated by the chairman of the board of the National Agrarian Scientific-Educational Center under the Kazakh Agriculture Ministry Askar Nametov, Kazinform reported.

"In 1991 there were no own cotton varieties in Kazakhstan. Currently, ten varieties were created, five of which successfully passed tests. At present, the yield of raw cotton is 22-23 centners per hectare, although the potential of new domestic varieties is 38-40 centners per hectare," he said.

The task is to raise it by 30-40 percent, while improving the quality of cotton fiber, which will help to increase the competitiveness of cotton fiber and oil products, both on the external and domestic markets, according to Nametov.

The cotton of domestic varieties is currently exported to 11 countries, including Russia, Belarus, Germany, Latvia, Moldova, China, Belgium, Iran, Ukraine, Italy and Korea, according to the chairman.

He also added that at present about 160 varieties and hybrids of 25 species of Kazakh breeding have been allowed to use, of which 39 are varieties of potatoes and 103 types - of vegetables and cabbage crops.

More than 24 percent of the Kazakh population is employed in the agricultural sector. Family farms account for approximately 70 percent of land in Southern and South-eastern Kazakhstan, and account for an estimated 95 percent of total cotton production.

While Kazakhstan is significantly larger than its Central Asian neighbors in terms of land area, its cotton production is relatively low due to the significance of grain cultivation and other food crops.

Source: azernews.az- Nov 21, 2017

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NATIONAL NEWS

GST effect: Apparel exporters losing competitiveness by 9%

Apparel exporters are losing competitiveness by around 9 per cent in export markets after the implementation of GST and want a higher reimbursement of central and state levies to stall the continuing decline in exports.

"Post GST, there is an erosion of competitiveness by around 9 per cent for garment exports. Although we have a GST refund now, there was no vat (value added tax) on our materials earlier," Apparel Export Promotion Council's export promotion committee Chairman Anil Buchasia told reporters here on Tuesday.

"The export promotion benefits that we used to get were to the tune of 11.93 per cent in pre-GST regime while the same now stands at 3 per cent."

The demand for a higher reimbursement of central and state levies has come after a 39 per cent decline of apparel exports for October. For July-October, there has been a drastic fall of 5.94 per cent in overall exports of apparels from India, he said.

The decline was mainly on account of sharp reductions in the effective drawbacks and rebate on state levies, he added.

Under drawback, exporters get the reimbursement of duties they have paid on the imported items used in the finished goods.

Buchasia said the drawback mechanism, prior to Goods and Services Tax, reimbursed both the customs duties and domestic taxes like central excise and service tax. But after GST, the drawback rates are now only reimbursing the customs duties. For other duties, the argument is that those would be available as part of the credit chain.

"We have suggested an alternative mechanism for reimbursements of central and state levies. We have also urged the government that in addition to the GST credit, the various blocked and embedded taxes should be refunded at the earliest," Buchasia said.

According to him, the industry was "not in a position to bear further losses" and in the absence of policy incentives the sector would be "forced to shed jobs".

Source: timesofindia.com- Nov 21, 2017

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GST, export slump have Tirupur's garment units hanging by a thread

Placards announcing job vacancies in garment manufacturing units, which used to be a common sight in Tirupur, is a rarity now. But, a cross-section of garment manufacturers maintain that there is acute shortage of labour.

So why are the signboards missing? A lull in business, it seems.

Around 8,500 units are engaged in the manufacture of textile products and garments in the knitwear cluster, apart from a large number of job-working units, the vast majority of them run by households.

Industry insiders say it is the the job-working units that face the threat of closure as they are unregistered entities. "They have neither an industrial licence nor other qualifications to be registered under the new tax regime as they are in the unorganised sector," an exporter said.

While some worker-turned-entrepreneurs quietly join some unit or another to eke out a living in the last two months or so, a few others are in the wait-and-watch mode, hoping that things will return to normal soon.

There is a sense of gloom that has gripped the knitwear export cluster. There was an unprecedented drop in export value in October.

Fear of closure

"The garment sector has reached the endurance limit. Any delay in government intervention in handholding the sector by way of reinstating the old duty drawback structure and restoring the remission of State levies under RoSL (Rebate of State Levies) would drive us out of business.

Buyers are threatening to move. And we are in an awkward situation as are unable to arrive at a price after GST implementation," said Raja M Shanmugham, President, Tirupur Exporters' Association.

"There is total chaos today. We do not have a level-playing field to sustain in the global market as we are compelled to compete with 'tariff advantaged' nations such as Bangladesh, Vietnam, Cambodia and Sri Lanka. The existing duty structure has put us in a disadvantageous position," he added.

Sliding exports

Data reveal that readymade garment exports from the country has begun to slide, registering a negative growth from June 2017 compared to the year-ago period. It peaked at a negative growth of 41 per cent in rupee terms in October, registering a turnover of ₹5,398 crore as against ₹9,110.75 crore in October 2016.

Exporters are worried about their survival, but feel that this situation can be avoided if the government extends a lifeline support as in the past.

Growth in domestic market

While there is gloom on the export front, the domestic market is showing signs of a pick-up.

"When the industry here faced a pollution problem in 2011-12, the export of readymade garments stood at around ₹10,500 crore and the domestic turnover, at ₹3,500 crore. Over the last five years (2012- 2017), the domestic market has grown five-fold to touch ₹18,000 crore, but RMG exports registered only a two-fold increase — from ₹10,500 crore to ₹26,000 crore," TEA President said.

Business at the Khaderpet market in Tirupur looked dull. This market houses around 2,500 textile shops and all of them cater to the domestic requirements.

Shopkeepers said that at least 50 per cent of the dealers, who would hitherto source goods from the market, abstained from buying, citing GST.

Sathik Basha, Manager, Al-Malik Garments said the garment manufacturing company had stopped production for 2 months after GST roll out. “We are now inching back. Diwali sales this year was pathetic and is happening for the second year in a row. We were stuck due to demonetisation during the last season and GST now,” he said.

Fall in sales

Most shops in the market have halved their workforce. Market sources said there was a deep dip in sales from around ₹1 lakh a week in April-May to ₹20,000 to ₹25,000 a week now.

Industry sources say that a good number of migrant workers from the North-East have started to head back as many units have cut down production.

Source: thehindubusinessline.com- Nov 21, 2017

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New business models of textile value chain discussed at the GSBS 2017

The largest convergence of the sporting industry in India, The Times Of India Global Sports Business Show 2017 on its 2nd day focused on ISPO academy and the textile value chain.

The Chief Guest of the day, Mr. J M Balamurugan, IAS, Secretary - Sports and Youth Services, Government of Punjab addressed the state of sports in the country.

Laying emphasis on the growth in this segment, he said, "Given that we are a country of 1.3 billion people, there is a huge scope for sports revolution.

The solution to improve is complex, multi-dimensional, multi-pronged yet possible. The efforts need to begin at the base level; at schools. Another factor that needs emphasis is financial security for the sportsperson, we need to create gainful employment for them post retirement."

Talking about the sustainability development goals 2030 and their implementation with the textile value chain, Mr. Reiner Hengstmann, Go4More, Stuttgart, Germany highlighted the 17 goals structured by the UN. Mr. Hengstmann added, "Sustainability and business must work hand in hand. It's the need of the hour that companies and brands look for sustainable solutions and for consumers to be more aware about what and how of the making of the product. We need to move from linear business model to circular model where the motto is make-take-recycle."

Addressing the options and risks of digitalization for the textile industry, Mr. Anton Schuman, Ghezri Textile Organization, Zurich, Switzerland, said, "Traditional value chain is changing due to digitalization; the driver being the consumer; digitalization has enabled the industry to create realities that were unthinkable at some point. He advised the delegates to innovate, adapt digitalization, change the point of view and do it with passion and write history."

Present at the show Yavuz Mogul- Verwegener & Trefflich, Leipzig, Germany, said, sustainability is the biggest challenge in sport business and the ways to tackle are communicate, educate, be transparent and digitalize. Sharing his plans for Andhra Pradesh, Dr. N Bangara Raju stated that he wants to make 60% of Andhra Pradesh's people sports active by the year 2029.

Navdeep Sondhi, Gherzi Textile Organization, shared, according to a survey the global textile, apparel consumption was 90 million tons in 2016. The future of textile apparel consumption market will be India and China due to rapid growth in disposable income and younger population. In a fire chat session Harit Mehta, MD, Haren Textiles, discussed the challenges that Indian companies faces , the need for digitization and working with the supply chain.

The evening saw some interesting presentations and case studies by Linz, Austria, Sanjay Kumar and ended by session by Robert Schroots, S2R, and Geneva Switzerland.

Source: economictimes.com- Nov 21, 2017

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Punjab Agricultural University demonstrates cotton technology

Punjab Agricultural University, Ludhiana, and Bayer Crop Science (BCS) jointly organised cotton field days and demonstrated good agricultural practices at villages Karamgarh Autabali (Mansa) and Bajak (Bathinda) in second week of November.

The project was initiated with an objective of enhancing cotton productivity through integrated crop solutions under public private partnership mode in the key cotton growing districts viz. Bathinda, Mansa, Sri Muktsar Sahib and Fazilka.

The demo farmers Lakhvinder Singh and Baldev Singh shared that the adoption of good agricultural practices has earned them extra profit of more than Rs 6,000 per acre compared to their conventional practices.

Dr Biswajit Chowdhury, Head, Crop Management Field Crops, BCS, laid emphasis on the importance and the need for working in public-private partnership mode in helping the farming community.

He appreciated the farmers for the adoption of 'seed to harvest' technology which minimises the cost and enhances profit. Dr MS Bhullar, Sr Agronomist and PI of the project said the cotton training workshops and live field demonstrations conducted under the project have resulted in higher cotton yields and economic benefits to the farmers.

Dr Vijay Kumar, Sr Entolmologist, highlighted the importance of selection of right cotton variety, and safe and judicious use of pesticides with right method of application to secure good cotton production.

Dr Jatinder Singh Brar, Dr Gurmeet Singh Dhillon from KVK Bathinda, and Dr Amandeep Singh Brar from KVK Mansa also addressed the farmers.

Source: tribuneindia.com- Nov 22, 2017

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Better connectivity: New international air cargo complex at Vizag airport

Union Civil Aviation Minister P Ashok Gajapati Raju inaugurated the new international air cargo complex at the airport.

He said it was a small beginning and "Vizag should go on to compete with Mumbai and Chennai in handling air cargo in view of the vast potential of the area."

Land for runway expansion

The State government has given land for extension of runways at Vijayawada and Rajahmundry to facilitate the landing of bigger aircraft, Raju said. The facilities at the Vizag airport will be improved and the new airport at Bhogapuram in Vizianagaram district will also cater to the needs of the city, he added.

"Civil aviation has a force multiplier effect on the growth of the economy and the sector will witness great changes," the Minister said.

The new air cargo facility has 674.64 sq metres of space, including 120.06 sq metres open space containing all essential facilities.

"Although the present focus is on pharma, marine and valuable cargo, we expect many more product groups to use the complex.

Soon, we will also start bonded trucking movement from this complex which will enable exporters and importers to use gateway airports like Hyderabad and Chennai for their international connectivity," said Samir Mankad, CEO and Executive Director of GSEC, which has been given the operation and maintenance of the cargo complex.

'All facilities available'

G Prakash Reddy, director of the airport, said the complex had all the facilities, though there was a little bit of delay in setting it up.

M Sadhu Sundar, Vice-Chairman and Managing Director of AP Trade Promotion Corporation, said the local trade and exporters should make full use of the facilities.

Rakesh Shah, Chairman and Managing Director of GSEC, said that his company would leverage its experience and expertise in the field "to replicate our success in air cargo handling at other airports here also. We are sure of success with the help of the local industry and trade."

Source: thehindubusinessline.com – Nov 22, 2017

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GST, weak demand, falling exports continue to hound branded apparel makers

Branded apparel manufacturers and retailers are yet to overcome the implications of the goods and services tax (GST) rollout in July. The tax reform had directly impacted the entire textile chain due to cascading burden. And post GST, poor consumer sentiment and falling exports have only made matters worse for the business. The September quarter results of large players stand testimony to this and experts don't see better days on the horizon for them.

Branded apparels priced at Rs 1,000 or above attract 12 per cent GST, while those below this threshold suffer 5 per cent. With this levy, retailers have seen consumers shift towards low-priced apparels. Established players who've had to comply with new tax mechanism don't deal in cash to avoid the levy.

UNDER PRESSURE
Q2FY18 figures in ₹ crore

	Arvind	Raymond	Aditya Birla Fashion
Net sales (₹crore)	2,628.5	1,595.5	1,804
% change Y-o-Y	12.8	2.7	-3.9
PBIDT# (₹crore)	207.8	133.8	93
% change Y-o-Y	-8.1	44.1	-44
Net profit (₹crore)	64.5	62.2	-10
% change Y-o-Y	-15.9	134.1	-115.4

#Excluding other income
Compiled by BS Research Bureau
Source: Capitaline

Besides, branded apparel firms had to buy back their inventory from bulk consumers ahead of the effective date of GST implementation, July 1, to avoid high tax levy on the apparels they had bought by paying less tax earlier. This has already resulted in some additional stock lying with them.

Rahul Mehta, President, The Clothing Manufacturers Association of India, says, “Weak consumer sentiment, plunging exports and liquidity shortage in many companies is likely to sustain stress levels in branded apparel companies for a few months more.”

He feels FY18 is a lost year for them. Exports were down 41 per cent in October, continuing the trend seen post GST due to withdrawal of duty drawback benefits. Slight depreciation of the rupee has not helped. Diwali and the overall festive season, according to Mehta, also haven't helped much. All said and done, they are virtually sitting on idle stock.

All this has impacted the July–September financial numbers of branded apparel firms, with both turnover and net profit remaining under pressure.

“Branded apparel and retail companies are expected to report lower-than-normal revenue growth in a seasonally strong quarter, even as their margins are likely to be impacted by a one-time cost on inventory due to GST.

We recommend investing in the space with a 3-4-year horizon as companies attain scale by expanding distribution network and improve margins, cash flows and return ratios,” said Krupal Maniar, an analyst with ICICI Securities.

example, Aditya Birla Fashion & Retail (ABFRL) delivered another weak quarter impacted by the GST rollout, transition issues and weak consumer sentiment, especially in July.

Although GST is expected to be a medium-term positive, end-of-season sale in June and consequent drop in footfalls in July, coupled with a one-time GST related compensation of Rs 26 crore to the channel led to a loss in 2QFY18.

But factors started to recover in September, given strong festive season sales. Revenue was much lower than expectation at Rs 1,800 crore, down 4 per cent y-o-y, led by a 7 per cent y-o-y decline in lifestyle brands, a muted 2 per cent y-o-y growth in Pantaloons and weak growth in fast fashion. This revenue shortfall led to an Ebitda margin decline of 220 bps y-o-y to 6.6 per cent, excluding the GST write-off.

"Pantaloons witnessed a small decline in margins. Lower growth expectations, given multiple headwinds, and ongoing capex plans that are delaying free cash generation are key reasons for a downward rating revision to 'hold' now from 'buy'," said Himanshu Nayyar, Analyst, Systematix Shares & Stocks (I) Ltd.

Meanwhile, Raymond Ltd posted 13 per cent growth in branded apparels sales, though weak exports and suiting sales saw branded textile revenues lower by 2 per cent y-o-y. Raymond's high-value cotton shirting (HVCS) grew by 1 per cent in the September quarter to Rs 150 crore, impacted by weak consumer offtake due to GST. Lower raw material costs and improved product mix aided in 120 bps Ebitda margin expansion to 11.3 per cent,.

"Whenever there is early Diwali, you tend to lose out in the north. If you compare Diwali to Diwali, numbers are subdued. But organised players should do well now. Unorganised players who avoid taxes, will face challenges.

There was a temporary slowdown but things became normal quickly. In fact, we did like-to-like growth of 16 per cent in the second quarter of this financial year," said Sanjay Lalbhai, chairman and managing director at textile and apparel company Arvind Ltd.

Source: business-standard.com- Nov 22, 2017

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Seed firms squarely blame Monsanto for pest attack on Bt cotton

Claiming that seed companies had no role in pink bollworm (PBW) infestation of cotton crop carrying BG II technology, the National Seed Association of India (NSAI) has asked Government of India to declare the two-gene trait of the genetically modified (GM) cotton seed as ineffective against PBW.

The seed industry body has also requested the Centre to direct the officials of states to register complaints made by farmers on pink boll worm menace according to the roles and responsibilities of seed companies and trait developers.

Seed companies say they can be held accountable only if their supplies do not conform to the quality and purity parameters prescribed by the authorities. However, they claim were also being held responsible for infestation of pink bollworm, something which the trait developer Monsanto was solely answerable for, according to NSAI.

The question of fixing the responsibility for crop losses in states like Maharashtra and Gujarat due to pink bollworm infestation further adds to the differences between the American biotechnology company and NSAI that often took opposite positions on a range of business matters, including the trait value.

"As per clause 5 of Cotton Seeds Price (Control) Order, the trait value towards the Bt cotton trait developed by the trait developer and the seed value towards the efforts of the seed company for hybrid development, seed production, marketing and distribution are clearly mentioned.

The responsibility towards the performance of the trait shall, therefore, be on the trait developer, whereas the responsibility for the seed quality remains with the seed company," NSAI executive director Kalyan B Goswami argued in a five-page letter to B Rajender, Joint Secretary(Seeds) of the Union Agriculture Ministry last week.

As early as in August, 2017, Union Minister of State for Agriculture Parshottam Rupala informed Lok Sabha that there was a sporadic incidence of pink bollworm damage in Maharashtra, Andhra Pradesh and Gujarat while Maharashtra government has already directed seed firms to pay a compensation of Rs 36.83 lakh to farmers. Last month Maharashtra government has requested the Centre to de-notify the BG ll strain on the grounds that it has lost its resistance to pink bollworm, according to the news reports.

A spokesperson of Monsanto, however, said that resistance was a natural and evolutionary adaptation of pests to stress factors and that the resistance management was a joint responsibility of all the stake-holders involved with cotton crop-farmers, seed companies, technology providers, trade, end user industry, regulatory bodies,state agriculture universities, and government departments.

"Bollgard ll technology continues to substantially fulfill its intended function of controlling a majority of lepidopteron pests including American bollworm, which is the primary pest, thereby providing farmers with great benefits. To ensure that the primary pests do not develop resistance there is an immediate need to help farmers adopt integrated pest management and refuge practices," Monsanto spokesperson stated in response to queries over the seed industry body's contentions with regard to the failure of trait performance of BG ll.

In his letter NSAI executive director Goswami argued that the solution to the whole issue lies in the declaration of zero trait value to BG ll strain as was done in case of BG l technology in similar circumstances and recommend to farmers to spray pesticides to control PBW.

"If the DACFW (the Department of Agriculture) proposes to recommend a trait value for two-gene trait, in spite of the above facts, it may be mentioned in the price order clearly that it is not effective against PBW, so that we can accordingly represent to the state agricultural department officials, who regulate the seed quality and trade," Goswami said.

According to Monsanto spokesperson, a recent meeting undertaken by the Indian Council of Agriculture Research (ICAR), Ministry of Agriculture & Farmers Welfare, decided 'to continue the use of Bt cotton BG ll as per existing guidelines'.

Source: business-standard.com- Nov 22, 2017

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