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IBTEX No. 62 of 2019 March 26, 2019

USD 68.92| EUR 77.95 | GBP 90.88 | JPY 0.63

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
21292	44500	**82.36**

Domestic Futures Price (Ex. Warehouse Rajkot), April

Rs./Bale	Rs./Candy	USD Cent/lb
21630	45207	**83.67**

International Futures Price

NY ICE USD Cents/lb (May 2019)	77.73
ZCE Cotton: Yuan/MT (May 2019)	15,280
ZCE Cotton: USD Cents/lb	103.30
Cotlook A Index – Physical	**85.80**

Cotton Guide: We are seeing a spree of candlesticks starting last evening at 7:45 pm. All the ICE futures contracts settled towards their respective high figures. The ICE May contract settled at 77.73 cents/lb with a triple digit change of +115. The high figure noted for ICE May contract was 77.77 cents/lb.

The ICE July contract settled at 78.51 cents/lb with a high figure of 78.51 cents/lb with a change of +94 points showing a high of 78.54 cents/lb. At 8:15 am today the prices are still heading north marking new highs. The current price is 77.94 for the May contract. Till what levels will be bulls be able to stretch themselves is something to watch today. It will be crucial for the bulls to hold the prices above the 77-77.25 range.

The total volumes seen yesterday were at 35,242 contracts as compared to 35,349 seen on Friday which is almost similar. The volumes for the ICE May were 20,124 contracts. The total open interest on the other hand increased by 1,729 contracts to 225,036. The OI for ICE May decreased by 414 contracts to 102,799 contracts whereas the July and December OI increased by 1710 and 414 contracts to 52,751 and 58,791 contracts respectively.

The Major reason attributed towards this rise in prices is that speculators are covering their short positions based on the fact that all the major technical indicators effuse bullish signals. Also rumors of new Chinese Demand is another factor which is driving the prices higher. Another meet is scheduled between the US and China trade representatives. However, the outcome still remains uncertain.

The MCX contracts on the other hand settled in the reverse direction as compared to ICE. The MCX April contract settled at 21630 rs/bale as compared to the previous close of 21,690 which is a decline of -60 Rs.

The MCX May and the MCX June contract settled at 21,920 Rs/Bale and 22,180 Rs/Bale with a change of -40 Rs and -20 Rs respectively. The volumes have shifted to the MCX April contract at 6462 lots as compared to MCX March which is at 4664 lots. The OI for MCX April is at 14,539 lots as compared to the previous 12,031 lots.

The estimated arrival figures is at 94,000 lint equivalent bales (source cotlook) which includes 32,000 registered in Maharashtra, 30,000 in Gujarat and 15,000 in Andhra Pradesh. The cotlook Index A has been adjusted at 85.80 which is a negative slide of -0.60. The average prices of Shankar 6 are at 44,300 Rs/Candy. We expect both international and domestic prices to head north for this week.

On the technical front, ICE Cotton futures rallied above 77 levels (50 % Fibonacci retracement level) after moving out of the downward sloping channel with the formation of pennant pattern.

In the daily charts price got supported by bullish crossover of short EMA (13) above the Long term EMA (26) and the momentum indicator RSI which is trading above 60.

Moreover, positive divergence between RSI and price strengthened the bullish bets. So for the day price is expected to move in a positive direction targeting 78.20 followed by 78.80 levels. Immediate support exists around 76.70. In the domestic market March futures is expected to rise towards 21550-21700 zone.

Currency Guide

Indian rupee may witness mixed trade against the US dollar but general bias remains weak. Indian rupee ended marginally higher yesterday as stability in global equity market after Friday's sell-off revived risk sentiment to some extent. Rupee also remains supported by continuing investor inflows in Indian equity and bond market. Fed's dovish stance has also supported rupee and other currencies. Chicago Fed President Charles Evans said Monday the Fed may have to put rate rises on hold or even ease policy if forecasts disappoint.

However, weighing on rupee is recovery in crude oil price. Brent crude has moved back above $67 per barrel amid expectations of another decline in US crude oil stocks. Also weighing on rupee is increasing uncertainty about health of global economy amid disappointing economic data, inversion of US bond yield curve and concerns about US-China trade deal and Brexit. Meanwhile, market players continue to eye political drama ahead of general elections next month.

While general market expectations are that ruling BJP government may be voted back to power, Congress, the main opposition party, is trying to woo votes. Congress on Monday assured a minimum income of 72,000 rupees per year to 20% of the nation's poor if voted to power.

Rupee has been struggling for direction since breaking below 69 levels and we could see choppiness in near term reflecting mixed trade in global equity market however increasing global concerns will keep pressure on the currency. USDINR may trade in a range of 68.7-69.2 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Global Trade Takes Sharp Turn Down With Biggest Drop Since 2009

Global trade has taken a sharp turn down, reinforcing the view that the world economy is in its worst state since since the financial crisis a decade ago.

Figures published Monday show trade fell 1.8 percent in the three months through January compared with the previous period. That's the biggest drop since May 2009. On a year-on-year basis, trade posted its first decline in nine years in the three-month period.

The January World Trade Monitor by the Dutch statistics office includes an assumption of zero percent import/export volume growth for the U.S. as the shutdown means it doesn't have data.

On a month-on-month basis, global trade volumes were up 2.3 percent, though the figure is erratic and it fell almost 4 percent over November and December.

The underlying figures tally with a global growth tracker by Bloomberg Economics, which also shows a dramatic loss of speed. The index puts world growth at 2.1 percent on a quarter-on-quarter annualized basis, down from about 4 percent in the middle of last year.

Central banks have reacted to the slowdown by postponing tightening, but the question is whether things will stabilize or, if not, what policy makers can do if the situation worsens.

Chicago Federal Reserve President Charles Evans said Monday that right now the "risks from the downside scenarios loom larger than those from the upside ones."

The pessimistic view was echoed by IMF First Deputy Managing Director David Lipton, who said there are "growing risks and uncertainties," including protectionism and U.S.-China trade tensions.

Source: sourcingjournal.com - Mar 25, 2019

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Italy-China Trade May Ramp Up Amid New Economic Accord

Becoming the first of the world's Group of Seven major economies to align itself with Beijing on its "Belt and Road" initiative, Italy and China have signed a memorandum of understanding to deepen economic ties.

The move, reported by AP Saturday, could see an uptick in Italian exports to China.

China's President Xi Jinping met with Italian Premier Giuseppe Conte in Rome to sign the agreement's 29 different protocols. The program will strive to provide more connectedness between China, Africa and Europe using a system of bridges, ports and power plants.

Following the signing, Italy's minister of economic development, Luigi di Maio, told reporters the initiative will help boost the country's faltering economy by bolstering Italian businesses. Citing a relationship that has historically been less than symbiotic, di Maio said Italy can now expect to see "a substantial... increase of exports" to China. Beijing has touted the program as an opportunity to help some of the world's struggling economies.

The deal also gives China access to Western Europe, along with unprecedented influence. Some Italian officials shied away from the deal's signing as a show of resistance.

Matteo Salvini, deputy prime minister and interior minister, skipped the ceremonies with the Chinese delegation. Meanwhile, with consternation over ceding advantages to Chinese companies, EU leaders in Brussels are working to prepare a strategy to counter China's growing influence.

The deal's comprehensive accords include "cooperation between banks, between a Chinese construction company and Italian ports, and the export of Italian fruit to China," according to the AP. The countries hope to work together in the fields of science, technology and media as relations deepen. Minister di Maio told reporters the value of Saturday's signed initiatives amounts to 2.5 billion euros ($2.8 billion) and has the potential to increase to 20 billion euros ($22.6 billion).

Saturday's signing also puts pressure on the already tense relationship between China and the U.S. as the trade war wears on. Di Maio insists that relations between Italy and its Western allies like the U.S. and NATO won't change, however. The country is simply now looking out for its own economic interests, he said.

China's official stance on the Belt and Road program is that it's purely an economic driver without political motivation, the AP reported.

Source: sourcingjournal.com- Mar 25, 2019

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The UN Has Plans to Share China's Belt and Road Knowledge With Developing Countries

The United Nations Conference on Trade & Development (UNCTAD) has launched a platform to help developing countries learn from the rapid rise of China's economic prowess over the past three decades.

The UNCTAD Belt and Road Initiative–named after the mammoth Chinese infrastructure project to connect more than 120 countries in Asia-Pacific, Europe and Africa–will focus on four main areas: trade, foreign direct investment (FDI), finance and the digital economy.

While China's multibillion-dollar initiative focuses on hard infrastructure like highways, railways and power grids, UNCTAD's platform will concentrate on so-called "soft linkages" needed for policy knowledge sharing, according to UNCTAD economist Rashmi Banga.

"The platform will share China's policy experiences with other developing countries, especially the policies which helped with China's structural transformation," Banga said. "It is no surprise that many nations want to learn from China's ascent and understand how it managed to lift millions out of poverty, achieve sustained growth and become a digital leader."

There are many lessons to be taken from the Belt and Road initiative for developing countries, Banga said, especially as countries look at closer regional integration in response to market and finance shrinkages.

UNCTAD, which had a soft rollout of its plan last week at the second High-Level UN Conference on South-South Cooperation in Buenos Aires, said it will officially launch the platform on April 28 in Beijing after China's second Belt and Road Initiative Forum.

Over the past 30 years, observers have seen China transform, first by a slow opening, then by advancing its socialist market economy, and now through the elaborate One Belt One Road attempt to establish a global unified market, UNCTAD said. Regional integration, such as the Belt and Road Initiative, is expected to provide opportunities for developing countries to structurally transform and deliver on their sustainable development goals.

"The platform is exactly what developing countries need," Lesotho's ambassador to the UN in Geneva, Mojalefa Litjobo, said.

Adding to that, African Union commissioner for trade and industry Albert Muchanga said, "Knowledge sharing among countries and connecting people is of critical importance for development."

The Belt and Road initiative is an interconnected mechanism for a unified large market that primarily addresses an infrastructure gap in beneficiary countries, according to UNCTAD.

China's infrastructure development policies and investments in places and industry like Africa's growing apparel and textile sector have helped them to modernize. Now these lessons can help in other markets, Banga noted.

"UNCTAD is running a pilot project in Ethiopia, Indonesia and Sri Lanka designed to adapt successful Chinese policies to local conditions," she said, adding that China supports the plan.

"Adapting Chinese practices and policies to local conditions of partner developing countries can be an extremely important element of UNCTAD's Belt and Road Initiative platform," said Zhang Yi, deputy director-general of the China International Center for Economic and Technical Exchanges, in the Chinese Ministry of Commerce.

However, he added that "simple copy and paste won't work" and that policies need to be adapted to local conditions. UNCTAD's Dawei Wang added that developing countries need space for experimentation and the platform would facilitate both that and peer-to-peer learning.

What's more, said Debapriya Bhattacharya, chair of Southern Voice, an international network of think tanks, "The platform will help increase transparency, effectiveness and accountability."

Pakistani parliamentary secretary for foreign affairs, Andleeb Abbas, said such sharing and interdependence can also translate into less conflict between countries.

FDI of Chinese companies in 56 counties participating in the One Belt One Road initiative stood at $15 billion in 2018, up 8.9 percent compared to the previous year, according to figures released in January by China's Ministry of Commerce.

Source: sourcingjournal.com - Mar 25, 2019

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Could New Economic Policies Make South Africa a World-Class Sourcing Destination?

South Africa's Eastern Cape is starkly beautiful. It is a region where aloe vera plants flourish and plump zebra graze on the low grass; it is also where Nelson Mandela was born, in one of the many villages inland from East London.

As well as wildebeest and ostrich, these sun-baked plains are filled with disused cotton mills that were once at the heart of South Africa's apparel industry. Now President Cyril Ramaphosa–with the help of the Centre for Development and Enterprise–is turning the region into an international sourcing hub that will save jobs and rejuvenate the domestic apparel industry.

The country's long-established and once powerful garment manufacturers were severely damaged around the millennium, when the free market policies of the World Trade Organization opened South Africa's economy to an influx of imported goods and competition from Asia. The result was mass factory closures—according to Statistics South Africa, garment industry jobs fell from 220,000 in 2002 to 100,000 in 2011. Today, employment in the Eastern Cape is below 35 percent.

As wages rise in China, there has been a window of opportunity for countries around Africa to recuperate some of the industry they lost. The last government, under Jacob Zuma, failed to capitalize on this, but Ramaphosa won on an anti-corruption, pro-economy ticket last February, promising 3 percent economic growth in 2019 and institutional stability to lure in overseas investors and manufacturers.

These measures will no doubt have an impact on the South African apparel manufacturing industry, which still underperforms in relation to its history, the size of the economy and the current unemployment figures. But South African brands urgently need to create a sustainable local supply chain if they are ever going to grow. Equally, Ramaphosa is under pressure to find jobs for the millions of people who are currently out of work. Reviving apparel manufacturing could solve both.

"Unemployment has been a devastating problem, but it is something fashion can help fix," said Jackie May, former editor of Marie Claire South Africa. "The growing retail industry has the potential to help right one of world's most unequal societies."

The government is hoping that the solution to this lies with the Centre for Development and Enterprise, which is developing an export-only processing zone (EPZ) in the Eastern Cape that is set to launch in the next few years, although the exact date is still unspecified. The proposed zone would focus on low-skill manufacturing, particularly clothing, by establishing employer-friendly market rules. This means workers could be hired on low wages and part-time, bypassing South Africa's strict labour laws.

Businesses in the zone would have to export everything produced to ensure they weren't competing with local manufacturers, who would still be obliged to pay the minimum wage—one that is, at 3,500 rand ($252) a month, higher than countries such as Cambodia and Ethiopia. Second, they would have to be new investments. Firms would not be allowed to relocate factories from elsewhere to the EPZ and decimate manufacturing in the rest of the country.

Politicians have suggested that if workers in the EPZ were paid the equivalent of about $130 per month, the zone might be able to attract a large number of firms.

The assumption may be a correct one, given that Cambodia, where the monthly minimum wage is $140, has attracted hundreds of apparel manufacturers. Adding to the EPZ's attractiveness is that nearby Nelson Mandela Bay offers two large ports and a business community sophisticated enough to take advantage of this opportunity.

"I'm still unsure about this plan," May said. "Since the Rana Plaza disaster in Bangladesh [when a clothing factory collapsed in 2013, killing 1,138 people], the world has woken up to the importance of fair and safe working conditions. And while I understand that a low-paid job is better than no job, we should insist on a livable wage for everyone."

Now that unemployment is the biggest problem facing South Africa, not everyone agrees with her.

"All we need is a more flexible set of rules governing employment, since it is our labour market regime that helps price South African firms out of these markets," said Ann Bernstein from the Centre for Development and Enterprise.

"[Once the EPZ is up and running] we would ensure there were national minimum standards governing health and safety, working conditions and plant safety, but firms locating in the EPZ need to be free to negotiate employment conditions and wages with workers," she said.

"This would make it possible for them to engage in activities that absorb many unskilled workers by ensuring that the costs of employment were appropriate for the markets in which these firms competed."

The natural resources add to South Africa's attractiveness as a sourcing destination. It is already the world's second-biggest producer of the wool variety used for clothes, and its exports look set to surge by 50 percent to 75 million kilograms in the next three years as demand for the material increases.

"We have been waiting for someone like Cyril [Ramaphosa] for a long time," Louis de Beer, the director of the South African Wool Association, said. "We have gone through tremendous upheavals, but there is now Cyril-wide support across the country.

However, to impact an industry like ours, you need deep pockets. Belarus, Turkey and China—all these countries had government initiatives that have helped them get to the place they are now."

As well as the EPZ, South Africa could look to implement similar policies to Turkey, a country that also has a relatively high cost of labour and a textile industry that was damaged by the rise of Asian manufacturing.

"What Turkey did was establish government-funded universities of technology, specializing in the design and manufacture of clothing," Paul Hillard, CEO of the TCI Apparel Group, said.

"Its clothing industry attracted talented individuals by creating income tax exemption for them. Turkey also offers free rental and large incentives for foreign retailers looking to setup sourcing offices in their country."

Today, the Turkish clothing industry is the seventh largest supplier in the world and the third largest to the EU, so if South Africa plays its policies right, it could be counted a similar success story.

Source: sourcingjournal.com - Mar 25, 2019

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U.S.-China trade war poses the biggest risk to global stability, says IMF official

'Fiscal stabilisation needed to respond to economic shocks in Europe'

The U.S.-China trade war poses the biggest risk to global stability and fiscal stabilisation is needed to respond to economic shocks in Europe, IMF First Deputy Managing Director David Lipton said on Monday.

"Obviously, this is not a matter for Europe alone. The United States needs to get its fiscal house in order as well. U.S.-China trade tensions pose the largest risk to global stability," Mr. Lipton said at a conference here.

The trade dispute, which began eight months ago, had affected the flow of billions of dollars of goods between the biggest and second-biggest economies in the world.

Mr. Lipton said he believed fiscal stabilisation capacity must be at the heart of risk reduction in Europe, describing it as crucial to "respond to macroeconomic shocks and improve the fiscal-monetary policy mix."

"In its absence, the Euro area will remain over-reliant on monetary policy for stabilisation and too much of the burden of crisis response will fall on individual countries, with their ability to respond depending on each country's fiscal space."

Mr. Lipton said Britain's planned exit from the EU was also breeding uncertainty in Europe and beyond.

Deceleration in Europe

Regarding Europe's recent economic deceleration, he said each EU member state should "strengthen their defences ahead of a potential downturn," including those countries that have not addressed "glaring vulnerabilities," notably Italy.

"A serious recession could be very damaging for these countries, because they will be shown to be ill-prepared," he said. "Their weaknesses could present a serious setback for Europe's goal of convergence of standards of living, productivity, [and] of national well-being."

Source: thehindu.com- Mar 26, 2019

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Egypt upgrades textile machinery to boost cotton sector

Egypt is overhauling its cotton industry. Machines in cotton weaving, ginning and spinning factories don't handle production of extra-long staple cotton. They operate only with imported short-staple cotton.

These obsolete machines will be replaced. Some of the machines in the ginning factories date back to 1878.

Modernisation process will include merging some cotton plants, with the aim of increasing production fourfold in coming years.

Funds to finance the project will come from the sale of unneeded textile industry assets. Factory upgrade will be the real beginning for modernising the whole industry and is expected to have strong effects on competitive edge of textile products in local and international markets.

The first modernised ginning plant is to begin operations in April. It is among 11 ginning plants being overhauled, along with several weaving and spinning factories.

Egypt has comparatively rich advantages in cotton raw materials, extremely preferential trade policies and low production factor costs, which provide a good basis for further development of the textile and garment industry.

The Egyptian textile industry contributes almost three per cent of GDP, employs one-third of the industrial labor and generates exports that are 15 per cent of Egypt's non-oil exports.

The industry has been, however, beaten out in the past two decades by the invasion of cheaper products from other countries.

Source: fashionatingworld.com - Mar 25, 2019

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Footwear, textile made in Nigeria, by Chinese companies

Beyond patriotism, encouraging domestic production aids business for the manufacturer, the supply chain, the end-user, and the economies, large and small, that it exists within.

However, the appeal to produce locally is easily threatened by challenges of infrastructure, low disposable income, unchecked competition from foreign goods, mostly sub-standard but appealing because of price, quality and access to cheap finance.

Considering that key economic factors like labour, population and capacity to buy, used by any investor to determine the availability of a market favour Nigeria, the concerns remain that the Nigerian manufacturing sector is operating below capacity due to several challenges.

For local footwear designers like Afolabi and Emmanuel (not real names), producing for the local market requires ability to scale quickly in order to meet consumers' specification in terms of sizes and design, constant electricity and newer technology to aid the processing of the raw leather and finishing of the final product.

To compound their woes, they have to also compete with imported and smuggled shoes from China and neighbouring African countries.

For Chinese exporters, saturation in traditional markets means looking for greener pastures elsewhere, particularly in the emerging markets of South America, including Brazil, with its 300-million-strong population, and Africa, especially Nigeria with population estimated to be rising to 200 million.

To compete, many of the local designers have had to resort to designing the footwear and then send them to China for mass production with their labels to make it look 'proudly Nigerian.'

Indeed, the World Bank trade statistics for 2017 showed that 88.2 per cent of total footwear imports come from China, accounting for $115 million, while the highest export for footwear within the period was to United States valued at a paltry sum of $8,461.68.

For the textile sector, the Nigerian Textile Manufacturers Association estimates a yearly bill of $1.2 billion from smuggled apparel.

There are concerns around the recent signing of the pact forming the African Continental Free Trade Area (AfCFTA) in Kigali.

Stakeholders within Nigeria's textile, apparel and footwear industry are convinced that if the Federal Government signs the agreement, it would have an adverse effect as it could accelerate the importation of cheaper imported textiles and garments.

Why the sector is still in the doldrums

According to industry stakeholders, operators in the sector lack funds to re-tool and upgrade their machines to newer models that can aid efficiency and profitability.

With access to local raw materials (cotton in the case of textiles and garments) becoming limited as a result of insurgency in some parts of the Northeast, which has reduced growing of cotton in the region, many operators have resorted to using other variants available through petrochemicals.

Similarly, they alleged that the special intervention fund by the Central Bank of Nigeria (CBN) is not reaching the real stakeholders as modalities to receiving the funds were yet to be determined.

Industry players raise concerns about patronage

The Chairman of Textile Apparel and Footwear Sectoral Group (TAFSG) of the Manufacturers Association of Nigeria (MAN), Alhaji Muhammad Kabir Haruna, who is also a Director of the FAMAD footwear manufacturing company, stated that apart from having to deal with infrastructural challenges that limit competitiveness in Nigeria, many firms do not get patronised by the government nor its agencies.

According to him, getting government agencies, especially those under the ministry of interior to procure their footwear from local manufacturers remain herculean as preference for imported footwear remains high.

"When you are manufacturing in Nigeria, you have so many things to consider— power, water, roads among others. In other countries, these are even taken for granted, because they are available. For the footwear industry, we also have to deal with the influx of foreign-made footwear, especially those from China.

"Despite the Executive Order 003, government agencies find it difficult to patronise local manufacturers. We have exhibited our products, which went through various checks and quality control, and we came out top; yet, they are not open to patronising us.

"Now in production of army footwear, there are so many parameters and standards by the United Nations, and you have to meet them.

"So, for example, if the army goes on the war front, and a soldier is pierced and injured by a thorn, it affects his capacity to perform optimally, so for that, they need leathered soles and everything, something we can produce in Nigeria, but they took it to Aba, so that if they say they patronise some people in Aba, and they failed, they will say it is the Nigerian manufacturers' fault", he added.

Beyond challenges with local patronage, he explained that competition with second-hand imported shoes is another problem faced by manufacturers.

"Beyond textiles and clothings, there is the influx of second-hand shoes, you may not know it but, in some places, the second-hand shoes imported from God knows where, are even retailed higher than our own brand new locally produced footwear, that is in spite of the health hazards that is inherent in these second-hand shoes.

"It is easy in second-hand clothes, you can boil your water, put all the disinfectants and everything and sanitise them before you start wearing, but in the case of footwear, you just have to dust them, shine, and wear them. You don't know the last user neither his health status", he lamented.

For textile manufacturers, it is not so much of a different story as many institutions, especially primary and secondary schools opt for foreign apparels, while some textile materials are simply designed and mass produced in China.

Until the recent intervention of the Federal Government with regard to gas pricing for electricity used by textile manufacturers and the Central Bank's forex restriction on imported textiles, the industry has continued to operate below 40 per cent of its capacity.

According to the Chairman of MAN Gas Users Group, Dr Michael Adebayo, the growth of the manufacturing sector is being hampered by the huge burden of energy crisis caused by power outages and high cost of petroleum products, adding that many factories have stopped production due to the exorbitant and dollarisation pricing of gas.

He expressed optimism that the revised gas policy would aid improved productivity in the textile and other allied industries.

"Within this year, we plan to increase our shifts and employ more people. A lot of companies have shut down operations due to the high cost of running their plants, coupled with the effects of smuggling on the business", he added.

Similarly, the Nigerian Textile Manufacturers Association (NTMA), also urged the Federal Government to review some of its incentives to foreign investors, in order to promote growth of local manufacturers and a sustainable economy.

Hamma Kwajaffa, the Director-General of NTMA said that some of the incentives set to attract Foreign Direct Investments (FDIs) to the country were detrimental and posed a threat to the survival of many local textile manufacturers.

"We decry the proposal that operators, who invest a minimum of 10 million dollars in local cotton, and textile garment industry and employ 500 direct Nigerian workers, can import fabrics worth 50 per cent of their operation levy free for a period of five years.

"We textile manufacturers in the country have set a target to boost our production and also a 100 per cent off-take of locally produced raw cotton.

"What happens to our own cotton produce? Will the farmers wait for you for these five years? With the proposed policy, that means you are discouraging cotton production and invariably the value addition to the textile industry.

"After all, there are investors in the country with more than one billion dollars investment such as Sunflag Ltd., UNTL Ltd., which have above that in the textile industry.

"The investors that are being encouraged to come in with finished fabrics would kill local manufacturers and hinder our quest to attain global competitiveness.

"If new investors are allowed to import fabrics duty free and vat free, it will infringe on the planned 1.7 billion metres of finished fabric sector target programme for the textile industry," he said.

CBN's monetary policy to the rescue

The Central Bank of Nigeria (CBN) earlier in March, placed a ban on access to foreign exchange to importers of textile materials in the country.

"Effective immediately, the CBN hereby place the access to FX for all forms of textile materials on the FX restriction list. Accordingly, all FX dealers in Nigeria are to desist from granting any importer of textile material access to FX in the Nigerian foreign exchange market", CBN Governor, Godwin Emefiele said.

According to the CBN governor, Nigeria currently spends over $4 billion annually on imported textiles and ready-made clothing. He said the potential market size of the domestic textile industry is over $10 billion.

The erstwhile textile industry – which had companies such as United Textiles in Kaduna, Supertex Limited, Afprint, International Textile Industry (I.T.I), Texlon, Aba Textiles, Asaba Textile Mills Ltd, Enpee and Aswani Mills – was the largest employer of labour in Nigeria after the public sector, contributing over 25 per cent of the workforce in the manufacturing sector, according to Emefiele. The industry was supported by the production of cotton by 600,000 local farmers across the country.

He said various operational challenges led to the decline of the sector, leaving only the current 25 textile factories, which are operating below 20 per cent of their production capacities with a total workforce of less than 20,000 people.

The apex bank governor said a range of strategies would be put in place to check the activities of smugglers, stating the menace of smuggling is a threat to efforts towards achieving self-sufficiency in textiles manufacturing in the country.

Click here for more details

Source: guardian.ng - Mar 25, 2019

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Global trade opens to Vietnam companies

Upon the entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, great opportunities for Vietnam will usher in export and import market expansion, as well as an ease in rule of origin. VIR delves into the potential bonanzas deriving from the deal's member markets.

TNG chairman Nguyen Van Thoi has said that his business, among the top 10 garment and textile companies in the country, will gain significant advantages from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), thanks to tariff cuts that help Vietnamese-made products compete directly with Chinese goods.

"Thanks to the deal, the number of our company's export orders to the Canadian market will increase about 6-7 per cent this year, maybe even up to 10 per cent, which could help TNG's revenue to reach about $10 million annually", said Thoi.

Many other businesses like TNG have also actively sought export opportunities into the CPTPP member markets, which comprise the third-largest free trade area in the world in GDP, after the North American Free Trade Agreement and the EU's European Single Market.

Golden gate to export

The CPTPP will open new opportunities for trade and create conditions to restructure both export and import markets. Under a study recently conducted by Vietnam's Ministry of Planning and Investment (MPI), the

CPTPP can expand Vietnam's GDP and export turnover by 1.32 and 4.04 per cent, respectively, until 2035. Total import turnover will also likely rise by an additional 3.8 per cent until 2035.

Kenneth Atkinson, executive chairman of US-backed consulting firm Grant Thornton Vietnam said, "The opportunities are of course driven by the fact that trade among the member countries will be the agreement to reduce tariffs on goods and services traded between them, and although the size of the market is greatly reduced from that of the original TPP because of the withdrawal of the United States, the market created by the remaining members still accounts for approximately 13.5 per cent of global trade."

He continued, "The initial beneficiaries are likely to be those companies engaged in manufacturing in Vietnam's traditional export sectors, such as garments and footwear plus seafood exporters, and those companies and sectors not currently trading with the member countries. Basically, any industry that will benefit from tariff reductions is likely to benefit in the longer term."

The CPTPP's member countries have pledged to cut 77-100 per cent of tariff lines on ordinary Vietnamese goods, according to a report from the Ministry of Industry and Trade (MoIT). For example, Canada has committed to reducing 94.9 per cent of its import tariff lines, which accounts for 77.9 per cent of the total value of exports from Vietnam.

For products such as furniture and seafood such as frozen shrimp, pangasius, and tuna, Canada's level of commitment is 100 per cent, which means that seafood and furniture will be duty-free when imported into Canada. Thus, thousands of tariff lines will be abolished for domestic products, opening up many fresh opportunities for domestic exporters, especially those in the footwear sector. Up to 78 per cent of the revenue from Vietnamese footwear exports to Canada will be exempt from taxes.

Meanwhile, Japan will eliminate 86 per cent of tariff lines as soon as the trade pact becomes effective, and almost 90 per cent after five years. This is the first time Japan has exempted most of Vietnam's agricultural and seafood imports from duties.

The key export sectors to Canada, Chile, and Australia of textiles, footwear, and seafood will also see new opportunities as the CPTPP comes into effect, while Malaysia, Indonesia, Singapore, Mexico, and New Zealand will open up the gates for Vietnamese-exported items such as phones and computers, according to the MoIT.

Furthermore, the MoIT said that the total global import value of the 10 members in the CPTPP amounts to nearly $2.5 trillion. Meanwhile, Vietnam's existing export turnover from these countries sat at nearly $42 billion last year. Thus, the room for Vietnamese exports to these markets remains large.

Eased rule of origin

Frederick Burke, managing partner of Baker McKenzie in Vietnam, noted that besides tariff cuts, the CPTPP takes a more simplified approach where importers are allowed to complete the origin certification for the goods they import.

Some economic indicators of Vietnam's CPTPP member countries

No.	CPTPP members	GDP (million USD)	Population (million)	Import value of CPTPP members (million USD)		
				Global imports	Imports from Vietnam	Ratio (per cent)
1	Japan	4,872,135	126.4	671,921	18,534	2.8
2	Australia	1,379,548	25.2	228,580	3,844	1.7
3	New Zealand	201,485	4.9	40,115	590	1.5
4	Chile	277,042	19.6	65,162	889	1.4
5	Brunei	12,743	0.4	2,720	15	0.6
6	Malaysia	314,497	32.1	195,149	5,234	2.7
7	Singapore	323,902	5.6	327,689	3,358	1.0
8	Canada	1,652,412	37.2	441,729	3,918	0.9
9	Mexico	1,149,236	123.7	432,153	4,616	1.1
10	Peru	215,224	32.2	39,856	402	1.0

Accordingly, member importers who meet certain conditions set forth by the regulators in their country may self-certify the origin of the product they are importing, a first for Vietnam.

Traditionally, origin is only certified by the exporter or the manufacturer, after which the certificate of origin must be issued by the competent authority of the exporting country. In a more advanced approach, this certificate may be issued by the exporter or manufacturer, for example through the ASEAN Trade in Goods Agreement.

Besides, it is expected that engaging in the CPTPP will help Vietnam restructure its import-export markets.

Oliver Massmann, general director of Duane Morris Vietnam LLC, said that aside from expanding markets, the CPTPP also helps balance relationships with key markets, approach larger markets including Japan and Canada, reduces any trade deficit, and can attract foreign investment.

It will also help the Vietnamese economy allocate resources more effectively, enabling active support to the processes of restructuring, innovation, and regulatory improvement, as well as bolstering administrative reforms.

The Ministry of Industry and Trade (MoIT) has just approved a plan for the implementation of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to which Vietnam is a signatory.

The plan details the main targets and tasks assigned to each agency in the MoIT, along with requirements on their deadlines and outcomes. The main tasks, including the prompt creation of regulatory documents on the implementation of the trade pact, particularly in export and import management, traceability and competitiveness, will be carried out in two phases.

The first phase will start this year, while the second will be launched in the 2020-2025 period, with a vision towards 2035.

The MoIT has also launched a new website, cptpp.moit.gov.vn, where the business community and local people can learn more about the CPTPP. Detailed explanations for commitments are also provided for readers to better understand the trade deal.

The website also includes information for exporters, such as the commitments of member countries and those regarding the opening of service markets and investment for Vietnamese providers in other CPTPP markets.

The website boasts the full CPTPP text in both English and Vietnamese, along with relevant documents including the government’s plans for implementing the deal and the legal amendments.

Source. english.vietnamnet.vn - Mar 25, 2019

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Seoul: Self-powered, washable textiles may pay way for smart clothing

Scientists have developed a textile-based display technology that is washable and does not require an external power source, paving the way for smart clothes.

When we think about clothes, they are usually formed with textiles and have to be both wearable and washable for daily use. However, smart clothing has had a problem with its power sources and moisture permeability, which causes the devices to malfunction.

To ease out the problem of external power sources and enhance the practicability of wearable displays, Professor Kyung Cheol Choi from the Korea Advanced Institute of Science & Technology (KAIST) fabricated their wearing display modules on real textiles that integrated polymer solar cells (PSCs) with organic light emitting diodes (OLEDs).

PSCs have been one of the most promising candidates for a next-generation power source, especially for wearable and optoelectronic applications because they can provide stable power without an external power source, while OLEDs can be driven with milliwatts.

However, the problem was that they are both very vulnerable to external moisture and oxygen. The encapsulation barrier is essential for their reliability.

The conventional encapsulation barrier is sufficient for normal environments. However, it loses its characteristics in aqueous environments, such as water.

It limits the commercialisation of wearing displays that must operate even on rainy days or after washing.

To tackle this issue, the team employed a washable encapsulation barrier that can protect the device without losing its characteristics after washing through atomic layer deposition (ALD) and spin coating.

With this encapsulation technology, the team confirmed that textile-based wearing display modules including PSCs, OLEDs, and the proposed encapsulation barrier exhibited little change in characteristics even after 20 washings with 10-minute cycles.

Moreover, the encapsulated device operated stably with a low curvature radius of three millimetre and boasted high reliability.

Finally, it exhibited no deterioration in properties over 30 days even after being subjected to both bending stress and washing.

Since it uses a less stressful textile, compared to conventional wearable electronic devices that use traditional plastic substrates, this technology can accelerate the commercialization of wearing electronic devices.

Importantly, this wearable electronic device in daily life can save energy through a self-powered system.

"I could say that this research realised a truly washable wearable electronic module in the sense that it uses daily wearable textiles instead of the plastic used in conventional wearable electronic devices," said Choi.

"Saving energy with PSCs, it can be self-powered, using nature-friendly solar energy, and washed.

I believe that it has paved the way for a 'true-meaning wearable display' that can be formed on textile, beyond the attachable form of wearable technology," he said.

Source. business-standard.com- Mar 25, 2019

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Indonesia: Textile industry seeks protection from high import growth

The textile industry is seeking the government's protection from high growth of imports as the sector could not compete in both domestic and international markets.

According to data from Statistics Indonesia (BPS), export growth in the textile industry has been just 3 percent annually over the last 10 years, while import growth was 20 percent annually in the same period.

Indonesian All Textile Experts Association (IKATSI) chairman Suharno Rusdi said the textile industry was currently in very bad condition because the domestic market was flooded by imported products.

"If it is allowed to happen continuously, it would endanger our textile industry and textile products because we will rely on imported products and the local textile industry will further lose its domestic market," he said on Monday as quoted by kontan.co.id.

To deal with the issue, Indonesia needed to introduce a law on cloth sovereignty to help the domestic textile industry to develop, Suharno said, adding that the law would not only regulate imports, but also had to offer incentives to support the development of the national textile industry.

"The existence of such a law is urgent for the national industry. IKATSI will struggle to support the birth of such a law," he said.

Indonesian Filament and Fiber Producers Association (APSyFI) secretary-general Redma Gita Wirawasta made a similar statement, saying the upcoming Idul Fitri celebration should be used as an opportunity by the government to protect local textile products from the storm of imported products.

"In the last five years, Indonesia's local textiles could not benefit from Idul Fitri because of the entry of thousands of containers of textile products to the Indonesian market," Redma said, adding that in 2017, Finance Minister Sri Mulyani Indrawati tried to stop the massive entry of textile products, but it only lasted six months.

Therefore, Redma called on the Trade Ministry to immediately control the entry of textile imports to help the local industry survive.

He also called on President Joko "Jokowi" Widodo to pay attention to the issue because the massive imports of such products had also contributed to the country's trade deficit.

Source. thejakartapost.com- Mar 26, 2019

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EVFTA to fuel Vietnam – Italy trade: workshop

A workshop held recently in Perugia, Italy, discussed opportunities for business investments between Vietnamese and Italian firms once the EU-Vietnam Free Trade Agreement (EVFTA) come into effect.

At the event, Trade Counsellor of the Vietnamese Embassy in Italy Nguyen Duc Thanh introduced Vietnam's current situation of high economic growth, stable politics, abundant human resources, and open investment attraction policy.

Michele Fioroni, deputy mayor of Perugia, said Vietnam's economic scale, features and strategic location in the Association of Southeast Asian Nations and in the region is drawing attention of Italian businesses.

Advantages brought about by the EVFTA and Italian production strengths will give local companies numerous opportunities to exploit the Vietnamese market, he said, urging the group to speed up market studies, investment promotion and product advertisement to capitalize on such benefits.

Walter Cavrenghi, General Secretary of the Italy-Vietnam chamber of commerce, considered the EVFTA a win-win deal. The official said Italian investors came to Vietnam late compared to other European peers, and advised Italian firms to prioritise trade-investment promotion and cooperation with Vietnam's small- and medium-sized enterprises.

Alessandra Cursio, who oversees external relations at the chamber, said if signed, the pact will be the most ambitious and comprehensive FTA between the EU and a developing country.

With 99 percent of tariff lines removed, Italy will benefit from exporting machines, leather, medicines, chemicals, garment-textile and food products to Vietnam, she added.

Concluding the workshop, participants, who included Italian enterprises eyeing the Vietnamese market, agreed on the importance of the EVFTA to both the bloc and Vietnam, hoping EU member countries to soon sign and ratify the pact.

Source: english.vietnamnet.vn - Mar 25, 2019

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Vietnam: Garment and textile industry on course to conquer domestic market

Vietnam's garment and textile industry has continuously promoted investment and implemented solutions to dominate the domestic market besides maintaining exports. However, businesses in the industry need to improve product quality and renew designs to increase their competitiveness towards sustainable development.

Pressure from foreign "giants"

The "landing" of giant global enterprises in the fashion industry in the Vietnamese market in recent years has brought about thousands of billions of Vietnamese dong in revenue each year, which startled domestic enterprises, urging them to draw experience on business strategies. Since joining in the Vietnamese market in September 2016, the revenue of Zara Vietnam has continuously increased, from VND321 billion (US$13.80 million) after four months of operation to more than VND1,100 billion (US$47.3 million) in 2017. The company was estimated to gain a higher revenue of VND2,300 billion (US$100 million) in 2018.

Similarly, Hennes & Mauritz AB (H&M), a fashion company based in Sweden, officially launched its store in Vietnam in September 2017. After more than a year in Vietnam, H&M has expanded to six stores in Hanoi and Ho Chi Minh City. Along with the popular basic product lines, H&M has advantages in new designs and it also sells accessories at reasonable prices. In addition, the H&M in partnership with renowned designers such as Karl

Lagerfeld, Balmain (Sweden) and GP& J Baker (the UK) to produce and sell fashion products. H&M does not disclose its business results in Vietnam, but it assesses Vietnam as an attractive and potential market for fashion retailers.

After Zara and H&M, Uniqlo - a famous fashion brand from Japan, is also preparing to enter the Vietnamese market in the near future, demonstrating the attractiveness of foreign fashion to Vietnamese fashion followers.

As one of the leading countries in textile and garment exports, domestic garment and textile enterprises have constantly invested in equipment and improvements to designs in a bid to increase their market share and enhance their performance. So far, several domestic apparel brands have been well received by consumers such as May 10 (Garment 10 Corporation), Viet Tien, and others.

Head of the Marketing Division of May 10, Bui Duc Thang, affirmed that Vietnam's fashion market is witnessing positive changes through breakthroughs in design and customers' fashion thinking. Understanding this demand, foreign fashion firms such as H&M, Zara, and Uniqlo are expanding their influence and gradually approaching the Vietnamese market in many different ways.

This is also an opportunity for domestic textile enterprises to assess the issue scientifically based on the market's reaction to these brands to make appropriate adjustments regarding product strategy and the way to approach and serve customers.

With the advantages of distribution networks, resources and costs, May 10 is capable of competing fairly with international fashion brands. The company has recently offered a wide range of stylish and diverse fashion products in various types of materials in accordance with the current trend of Vietnamese and international fashion, with some high-end fashion products such as Eternity GrusZ, May10 M series, ECO product line or modified Ao Dai.

Similarly, Chien Thang Garment Company has launched its Padu fashion line and Duc Giang Corporation introduced its fashion brands of HeraDG, Paul Downer, DGC, Dugarco Collection, and others.

Increasing localisation rate

General Director of the Vietnam National Textile and Garment Group (Vinatex) Le Tien Truong affirmed that, to expand the market share and develop the domestic market, it is necessary to carefully consider strategies in accordance with the capacity of the distribution system. The success of foreign firms does not mean that domestic firms will succeed. Foreign enterprises have advantages in finance, human resources, modern management methods, and others.

Therefore, they can sell products at low prices to attract consumers. If domestic firms open new stores massively while not ensuring the quality and origin of products, they will lose prestige and customers. The domestic market is definitely important but domestic firms should cut their coat according to their cloth.

Over the past few years, Vietnam's textile and garment industry has always been proud to be one of the top three exporters of textiles and garments in the world. However, domestic enterprises seem to vacate their home market and give up the market to foreign fashion firms. Being aware of the problem, in the past few years, domestic enterprises have constantly boosted their investments and improved technology while creating new samples to enhance the added value of each product.

Chairman of the Vietnam Textile and Apparel Association (Vitas) Vu Duc Giang said that Vietnam currently has 158 domestic garment brands and most of them are aware of the value of brands and packaging added to products and are not dependent on foreign brands. The Vietnamese textile and garment industry is also gradually raising the localisation rate and focusing on developing the domestic market, including the participation in the programme "Vietnamese people prioritise using Vietnamese goods" and programmes to bring textile products to industrial zones.

Furthermore, the industry has taken the initiative in devising development strategies and calling for investments in the segment that Vietnam faces shortages. In addition, the domestic textile industry has promoted the training of resources to meet the requirement from the industrial revolution 4.0 and the increasing demands of the domestic and international fashion industry.

A representative from Vinatex said that the group has been continuously responding to the campaign "Vietnamese people prioritise using Vietnamese goods" through practical actions. Vinatex not only calls for its member units to participate in the campaign and develop long-term strategies in the domestic market, it also signs deals with other corporations to support each other and use each other's products.

Thanks to its considerable efforts, the total domestic revenue of Vinatex reached more than VND12,638 billion (US$543.43 million) in 2018, up 22.58% compared to 2017. However, in order to make apparel products win the heart of the people, it requires the attention and support of relevant ministries and sectors regarding the removal of difficulties in export procedures, reduction of administrative procedures, cumbersome rules and regulations on bidding, and incentives in tax and fees so that businesses find it easy to connect and use each other's products.

Source: nhandan.org.vn- Mar 25, 2019

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Pakistan: Cotton buying picks up

Buying interest on the cotton market picked up on Monday, though much of the activity remained around quality lint which is running short supply. Meanwhile, prices remained stable.

Market sources said many spinners who were unable to get cotton from across the border have returned to the market to replenish their stocks.

The rise in cotton yarn demand in domestic and world markets reportedly induced sentiment and many spinners took it as an opportunity for building up their inventories to meet near future demand.

Meanwhile, ginners have complained that spinners are holding back huge outstanding funds belonging to them. After several rounds of negotiations a committee has been formed to sort out the issue at the earlier, brokers said.

The world leading cotton markets were also firm on fairly strong demand and most of them closed with fresh gains.

The Karachi Cotton Association (KCA) spot rates were steady at week-end level at Rs8,600 per maund.

The following deals were reported to have transpired on ready counter: 4,000 bales, station Rahim Yar Khan, at Rs8,750-8,800; 3,000 bales, Khanpur, at Rs8,000; 1,400 bales, Alipur, at Rs8,700-8,800; 1,700 bales, Bahawalpur, at Rs7,800; 600 bales, Rajanpur, at Rs8,800; and 600 bales, Haroonabad, at Rs7,700

Source: dawn.com- Mar 26, 2019

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Upgraded input tax reimbursement scheme to be extended to all textiles

Under WTO rules, India cannot extend direct export sops anymore

The government is working on a plan to extend the upgraded Rebate of State and Central Taxes and Levies scheme (RoSCTL) — that reimburses garments and made-up exporters all un-remitted input taxes paid at the State and Central levels — to all textile products.

This is being done to prepare the sector for an eventual withdrawal of the Merchandise Export Incentive Scheme (MEIS) that flouts global trade rules.

“The textile sector has long graduated out of the special dispensation that the WTO extends to vulnerable sectors or countries that need support by allowing them to extend export sops that are otherwise banned.

If the MEIS is extended for a longer period to textile exporters and a WTO member files a dispute, there is no way India can defend itself. That is why there is a hurry to replace the scheme for the sector first before moving on to other sectors,” a government official told BusinessLine.

Under the popular MEIS, claimed by a bulk of garments and textiles exporters, the government gives incentives to exporters equivalent to about 4 per cent of their export value in the form of duty credit scrips that can be used to pay customs duties and are freely transferable.

Since it is a direct export subsidy, and the textile sector’s phase-out period for such subsidies ended in 2018, it would have to be withdrawn soon.

“The government has now decided to withdraw the MEIS scheme as soon as possible and extend the Rebate of State and Central Levies scheme to all textile sectors, including fibre, yarn and fabric,” the official said. But this will now probably happen after the general elections, he added.

Meanwhile, garments and made-ups manufacturers will be allowed to enjoy the benefits of both the RoSCTL and the MEIS till the latter is withdrawn as exports from the two sectors have taken a beating in the current year. “The

Indian textile exporters have a cost disability of 15-20 per cent compared to their competitors because of high input costs. Letting them take advantage of two schemes can help them tide over the present low," the official said.

The RoSCTL includes value-added tax on fuel used in transportation, captive power, farm sector, mandi tax, duty of electricity, stamp duty, embedded SGST and CGST paid on inputs and Central excise duty on fuel.

"Although the new scheme has been implemented this month for only a one-year period, the idea is to make it permanent and make it a replacement for the MEIS," the official said.

Once the MEIS is withdrawn from the textiles sector, it would be taken away one by one from other sectors as well as India has moved above the threshold of a per capita gross national income of $1,000, which makes it ineligible to offer export sops to any sector.

"While for the textiles sector, there is no room for further extension of the implementation period beyond 2018 as exports officially crossed the threshold limit of 3.25 per cent of world exports in 2010 and the eight-year phase-out period is over, New Delhi is trying to bargain for a longer phaseout period for other sectors," the official said.

Source: thehindubusinessline.com- Mar 25, 2019

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Door open for India for serious trade proposal: US

Noting trade to be an area of frustration in ties, the United States recently said the door is open if India is prepared to put forward a serious proposal to address trade and market access issues.

It has struggled with regulatory issues that hinder ease of doing business and market access for US companies and products, a top State Department official said.

The United States in November last year revoked duty-free concessions on import of at least 50 Indian products, mostly from handloom and agriculture sectors.

Despite intensive engagement with New Delhi for about a year, India did not assure that it would provide equitable and reasonable access to its market, which led to its termination from the generalised system of preferences programme, a news agency reported quoting the senior US official.

While the growing US exports to India, largely crude oil and LNG, led to a 7.1 per cent reduction in bilateral goods trade deficit last year, many structural challenges in the trade relationship are yet to be resolved, he said.

While India argues that it is difficult to take any policy decision now because of pre-poll model code of conduct, US diplomats reportedly point out that the United States has decided on revoking GSP privileges only after exhausting all its options with India.

The US still hopes that the issue can still be resolved before the Indian elections and certainly after that.

Source: fibre2fashion.com- Mar 26, 2019

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Cotton prices gain ₹3,000/candy in March

Prices of the fibre up by ₹3,000 a candy as two-thirds of the estimated crop hit mandis

Cotton prices are steadily moving up even as about 70 per cent of the estimated crop have already arrived in the market. Since early March, prices have strengthened by ₹3,000 a candy (of 356 kg each) to ₹44,500 now.

According to the Cotton Corporation of India (CCI) estimates, about 235 lakh bales (of 170 kg each) cotton have arrived in the market as on March 15. The Cotton Association of India (CAI) in its March 2019 estimate has pegged the crop this year at 328 lakh bales.

According to market sources, the CCI initially conducted MSP procurement operations to arrest a fall in prices due to increased arrivals. However, after buying about 12 lakh bales, CCI has reportedly stopped procurement as the market price of raw cotton or kapas gained 10 per cent above the minimum support price (MSP) at ₹5,850-5,900 a quintal. The MSP for cotton was fixed at ₹5,450 a quintal.

An increase in the price of raw cotton is likely to reflect in the ginned cotton and the prices may gain momentum from the current ₹44,500 a candy.

“Cotton prices have gained sharply within a two-week time. Amid lower crop estimate, ginners suddenly panicked about a possible sharp rally in prices. This, coupled with a drastic decline in arrivals, created a bullish sentiment,” said Atul Ganatra, President, CAI.

Daily arrivals have declined to about 80,000-90,000 bales as against what used to be at 1.3 lakh bales last year.

Nearly 90 lakh bales of the fibre is lying in stocks, of which mills have about 45 lakh bales, while the remaining is with corporates, CCI, ginners and MCX.

Exports, however, have slowed down due to increasing prices. According to trader sources, so far about 38 lakh bales have been exported, while the CAI estimates put shipments at 50 lakh bales for the season ending September 2019. “Due to higher prices, export contracts have taken a halt. But we believe that our target of 50 lakh bales will be achieved with China and Bangladesh as key destinations,” said Ganatra.

So far, Bangladesh has imported about 10 lakh bales, followed by China at 8 lakh bales and Pakistan at about 6 lakh bales. Vietnam and Indonesia are other important destinations for the Indian cotton.

The international prices, however, quoted at 76.92 cents per pound for May ICE futures, while in cash segment, cotton prices quoted at 72.08 cents per pound.

As against CAI’s import projections of 27 lakh bales for the year 2018-19, so far about 5.5 lakh bales has been imported, while by March-end the imports may cross 7 lakh bales.

Cotton acreage fell drastically, due to water shortage, in key growing regions of Gujarat, Maharashtra and Karnataka, which together account for about half of the country’s production.

Source: thehindubusinessline.com- Mar 25, 2019

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India's cotton output falls to eight year low

India's cotton output for the year is expected to be the lowest in eight years. Prices are expected to rise if El Nino weakens, exports increase and due to off-season demand.

Higher prices will add cost pressure on the value chain, making yarn, fabric and apparel exports less competitive. The situation has been further aggravated by the appreciating rupee.

Both higher cotton prices and the rupee movement are reducing international competitiveness of Indian value-added textile products. A stronger rupee will shrink revenues of exporters by lowering price realisation.

Prices in cotton futures market moved up seven per cent on reports of improving demand from China and domestic mills. India has already shipped around 6,00,000 bales to China since October.

Indian traders have signed contracts to ship 8,00,000 bales of cotton to China as prices have rallied in that country. Moreover, cotton procurement by Cotton Corporation of India at minimum support price has also helped prices to cross Rs 21,000 levels.

China's decision to impose 25 per cent import tax on cotton, in retaliation to tariffs enacted by the US, has allowed India to grab a bigger share of the Chinese market.

The United States, the world's biggest exporter of the fiber, has cornered the bulk of Chinese imports for at least a decade.

Source: fashionatingworld.com- Mar 25, 2019

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Continuous increase in cotton prices reducing international competitiveness of the Indian textile industry: CITI

The continuous increase in cotton price is reducing international competitiveness of the Indian textile value added industry and also affect exporters negatively said Confederation of Indian Textile Industry (CITI).

While talking to KNN India Chairman of CITI, Sanjay Jain said, "Cotton prices have started rising at a time when the rupee is appreciating. It is a double whammy for textile exporters as it will impact the competitiveness of Indian products in the international market and hit price realization in rupee terms."

He further added that both these movements are reducing international competitiveness of the Indian Textile value added industry and would be hamper the improving export trend as cost pressure will increase prices of yarn, fabric & garments impacting competitiveness.

Prices in the cotton futures market has moved up 7 per cent from the low of Rs 19,970 per bale (one bale is 170 kg) in February to Rs 21,360 in March on reports of improving demand from China and domestic mills.

Jain said, "Cotton prices have spurted by Rs 3,000 per candy (from Rs 41500 to Rs 44500) in less than a month's time - leading to cost pressure on the entire cotton Textile and apparels value chain."

The situation further aggravated by the appreciating rupee which has reduced realization for exporters, he said.

He added that exporters cost has gone up, while realizations have come down - so being hit both ways.

Source: knnindia.co.in- Mar 25, 2019

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Commerce Ministry introduces online facility to obtain export licence for restricted items

The commerce ministry has introduced an online system for exporters to obtain export licence for restricted category goods, a move aimed at promoting paperless work and ease of doing business.

"It has been decided that applications by exporters will be filed online on E-COM module for export authorisations. The consultation process with administrative departments will also be online," the Directorate General of Foreign Trade (DGFT), an arm of the ministry, has said in a trade notice.

The notice came into effect from March 19 this year.

Exporters need to obtain licence from the government for certain restricted category goods such as bio-fuels.

Currently, application for export of such goods are filed in hard copy and the consultation with the concerned agencies is also done manually.

The move, it said, is aimed at simplifying application filing, and expediting the processing and issuance of export authorisation.

The development will help in promoting ease of doing business for such imports, an official said.

In the online application, exporters will have to upload certain documents such as copy of purchase order of firm involved in the export, and Aayat Niryat Form.

"No hard copy of the application and documents is required to be submitted to DGFT," it said, adding that as a transition arrangement, applications shall be accepted off-line also till March 31.

"From April 1, 2019 it is mandatory to apply online only," it added.

Commenting on the move, Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said this is a welcome development and it will help exporters to cut transactions cost also.

"We need more such steps to promote the country's exports," he said.

Recently, the directorate has also come up with a new online facility for obtaining import licence for restricted category goods.

In the latest ease of doing business report of the World Bank, India improved its ranking to 77th rank in 2018 out of 190 nations from 100th earlier.

These rankings are based on 10 parameters, which include trade across borders, enforcing contracts and resolving insolvency.

In the parameter of 'Trading across Borders', India's rank improved to 80th in 2018 from 146th rank in 2017.

During April-February 2018-19, the country's exports grew 8.85 per cent to USD 298.47 billion, while imports rose by 9.75 per cent to USD 464 billion.

Source: business-standard.com- Mar 25, 2019

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How hedging can help cotton sellers get stable returns, who fear price drop

Hedging plays an important role as it reduces and controls risk arising from the market. The hedging process involves taking equal and opposite positions in two different markets—physical and futures market, and reduces risk associated with price change.

By hedging, participants such as traders, stockists, exporters, companies, buyers, etc., can buy their requirements of the year in a futures contract by paying a margin of only 5% and lock prices for the entire year.

Meanwhile, sellers can sell their estimated produce in advance at futures market and lock their prices. In case the prices fall, they can earn profit from the futures market.

For instance, Prakash Kumar, a cotton ginner, had a huge stock of cotton for sale, however, he was sceptical about the gyrating prices in the market. In a bid to protect himself from losses, he hedged and locked-in the price for his cotton stock in October 2017. Let's assume the spot price of cotton of 29mm in October 2017 was Rs 18,500 per bale and price in December 2017 for futures was Rs 18,700 per bale.

He sold one lot of cotton in October futures contract in October at Rs 18,700 for a delivery in December. He paid the 5% margin of the contract value for entering a position in the futures market.

The prices fell in December and the ginner sold his entire stock in the physical market for Rs 18,000 a bale. As he had already participated in the futures contract, despite facing a loss of Rs 500 per bale in cash, he gained Rs 600 per bale in futures.

Likewise, hedging can save cotton sellers from going into losses. Thereby, hedging enables sellers to lock-in prices and immune themselves from fluctuating prices on the Exchange.

Source: moneycontrol.com- Mar 25, 2019

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Needless deadlock over labour reforms

A social safety net for unorganised and organised workers will create the foundations for a lighter regulatory regime

For over 25 years, India has been in the process of integrating itself into the global economy through liberalisation of trade and investment. But, unfortunately, India, unlike China, has not yet been able to obtain the full benefit of globalisation through more productive and better paying manufacturing jobs for its large young population. This accounts for the stark difference with China which, starting from the same level in 1990, now has five times the per capita income of India and virtually no poverty.

In the global market for goods and services, there has been a market failure in India as far as low wage manufacturing jobs are concerned, while the market has worked efficiently for high wage IT jobs. The major factor contributing to this paradoxical outcome is that the IT sector units are governed by the Shops and Establishment Act and not the Factories Act.

There are over 40 labour laws which regulate factories. These impose too onerous a burden. Large firms can easily deploy the manpower and other resources to meet the transaction costs required for record keeping, reporting and managing the regulatory regime.

Small firms and start-ups find this too heavy a burden. They, therefore, have an incentive to remain small rather than grow. The unfortunate result has been that job growth in the organised sector has been extraordinarily disappointing while it has been taking place in the unorganised sector at a much faster pace. This is the opposite of what happens in any rapidly industrialising economy.

In a market economy, jobs are created primarily by private market participants. If the regulatory regime is coming in the way of job creation by market players, its review and reform should get the highest priority.

Long neglected, a beginning was made a few years back with the drafting of four labour codes to consolidate, rationalise and reform the over 40 labour laws. These have been in the public domain and stakeholder consultations have also been undertaken.

Retaining the substance of the present regulatory framework with four simpler codes, which also provide for digital record keeping and reporting, should be easy enough.

Introducing credible third party certification should also not be difficult. This easy minimum reform would give great relief. Opposition from the existing labour bureaucracy who would see an erosion of their rent-seeking powers would be natural, but should certainly not be insurmountable.

Viable middle ground

On substantive changes, a viable middle ground between incrementalism and radical overhaul should also not be difficult. One such could be to retain the existing structure and bargaining power of the trade unions but dispense with the need for prior permission for reducing the workforce.

But, surprisingly, this key reform of having just four labour codes did not get political priority and no effort was made to enact legislation.

In reform policy discussions, this has not been getting sufficient attention. The underlying premise has been that no government would have the political will to attempt labour reforms as the trade unions would not permit it and they were politically far too powerful. This is an unnecessarily timid view. India has been successfully undertaking major reforms, including the dilution of the fiscal autonomy of the States by amending the Constitution to introduce GST.

The organised labour movement has been naturally apprehensive of the import of the American 'hire and fire' culture and the emasculation of the trade unions and their collective bargaining power that 'labour reforms' connote. It would be useful to look at the social market economy conceptual framework of Germany and the Scandinavian economies, their social welfare systems and lower levels of inequality.

Economic realities have also been changing in India where de facto labour market flexibility has become a reality with the widespread use of contract labour, including by government itself.

Since the overwhelming majority of workers are in the unorganised sector, democratic forces across parties and regions have been nudging the polity towards putting in place the basic features of the social welfare state; healthcare, unemployment relief and old age pension.

Unemployment relief in rural areas was provided through MNREGA and there is now some talk of putting in place something similar for the urban areas. Universal healthcare and old age pension schemes have been initiated.

For the organised sector, the paradigm of joint contribution by the employer and the worker has been the universal operating principle from the early days of industrialisation. But in India, this ends up acting as a disincentive for low wage workers and their low profit employers to enter the organised sector.

To encourage employment generation, there have been two strands: one, to increase the threshold of the number of workers over which labour laws would apply, and the other, to give some financial relief to those who generate new jobs.

Social security

But the most radical approach would be to have a state funded comprehensive floor level social safety net covering unemployment (minimum income), universal healthcare and old age pension for all workers in the unorganised as well as organised sectors, exempting both employees and employers from contributions for this and to fund it fully with increases in corporate and personal income tax rates, which are presently far lower than in Northern Europe.

A softer version would be for the state to fully fund employee and employer contributions for wages up to a prescribed level and for employer and employee contributions to kick in thereafter to supplement what the state provides.

The benefits of higher productivity of the workforce flowing from a comprehensive social safety net are not adequately appreciated.

The real advantage of this would be to do away with the distinction between the worker in the organised and unorganised sector and to create a regulatory regime which provides for a smooth transition from a micro to small, to medium, and finally to a large enterprise.

These are complex issues that need serious discussion. Given the severity of the challenge, radical approaches for job creation are now unavoidable.

Source: thehindubusinessline.com- Mar 25, 2019

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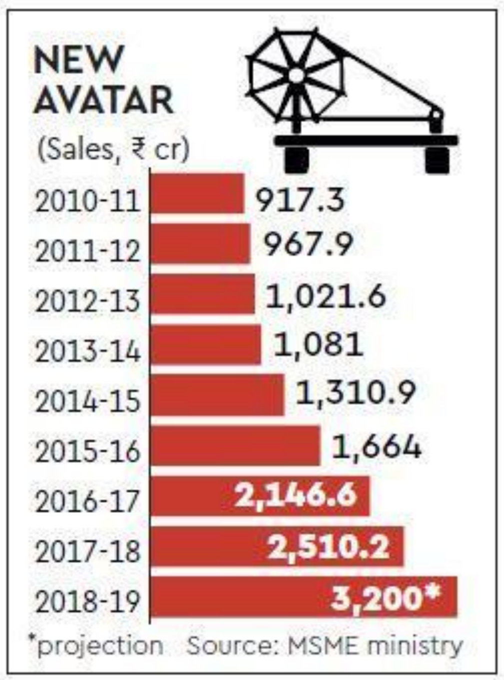
Khadi spins a success story, sales top Rs 3,200 crore in FY19

The Khadi Gram Udyog Bhawan, a 20,000-square feet outlet in the heart of Connaught Place, recorded sales of Rs 1 crore or more a day at least three times between October and November 2018 when it ran a discount scheme, eclipsing those of most high-profile stores in the vicinity.



In 2017-18, the Bhawan alone sold products worth a record Rs 103 crore. Only a very few, who were witness to the dilapidated conditions of the store six-seven years ago, would have thought the transformation was ever possible. The outlet's success mirrors the growing craze for khadi in recent years.

From just Rs 1,081 crore in 2013-14, the sales of khadi, an unfading symbol of the Indian freedom movement, are estimated to touch an all-time high of Rs 3,200 crore this fiscal, Khadi and Village Industries Commission (KVIC) chairman Vinai Kumar Saxena told FE.

MSME ministry data show sales stood at Rs 2,510 crore in 2017-18. In the first four years of this government, sales grew at an annual average of over 30%, against 6.7% in the previous 10 years, Saxena said. Massive push by this government (especially PM Narendra Modi), KVIC's supply tie-ups with firms like Raymond, Arvind Mills and Aditya Birla Fashion in 2017-18, aggressive marketing and growing interest of public-sector enterprises for khadi products for employees are the biggest drivers of the sales, Saxena said.

Raymond, for instance, bought as much as 7.26 lakh metres of grey khadi fabric last fiscal, while Arvind Mills purchased around one million square metre of Khadi denim.

These companies source fabric from Khadi institutions to manufacture garments and sell them under their own brand names.

Interestingly, KVIC and Khadi institutions started tapping the corporate gifting segment last year by tying up with several public-sector units. In a first, they received orders of Rs 46 crore from ONGC and those of Rs 43 crore from Indian Oil Corporation in 2017-18. They are in the process of clinching another Rs 11-crore deal with Oil India. These PSUs typically place order for gift coupons by KVIC to be distributed among their employees, who can shop at any Khadi store within a stipulated period.

Very soon, as many as 83,000 postmen across states will be clothed in Khadi uniform, as an MoU with the department of post is being finalised, said Saxena. The upcoming polls season is expected to provide a leg-up to Khadi sales as well.

“Khadi institutions have transformed themselves to cater for the changing needs of time and improved their range of products, with focus on style. Aggressive marketing, too, has helped,” said a senior official with the MSME ministry.

KVIC owns a total of 18 sales outlets (including seven main stores), while various Khadi institutions across states own 8,062 of them. Of the 1,942 khadi institutions in the country, 1,585 produce Khadi fabric and ready-made products. Retail sales mainly take place through these outlets.

Source: financialexpress.com- Mar 26, 2019

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