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IBTEX No. 167 of 2019 August 27, 2019

US 71.80| EUR 79.72 | GBP 87.76| JPY 0.68

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20526	42900	**76.07**

Domestic Futures Price (Ex. Warehouse Rajkot), August

Rs./Bale	Rs./Candy	USD Cent/lb
20950	43786	**77.64**

International Futures Price

NY ICE USD Cents/lb (December 2019)	57.82
ZCE Cotton: Yuan/MT (January 2020)	12,430
ZCE Cotton: USD Cents/lb	78.84
Cotlook A Index – Physical	**70.30**

Cotton Guide: Have you ever wondered that a 'U' Turn could be taken in Geopolitics?

The markets saw retaliatory comments from both the two superpowers during a span of 3 days starting Friday. Yesterday, at the dawn of the week, the markets settled negative but the intensity of this negativity was much muddled with fresh positive geopolitical news.

The markets were calm after the US President Donald Trump mentioned that China sincerely wants to reach a deal. This was coupled with Chinese Vice Premier Liu mentioning that China is willing to resolve the issue through calm procedures.

Therefore the Cotton market took a pause at its downward streak and inched a tad higher after 7:30 pm IST last evening. The ICE December contract thus settled at 57.82 cents per pound with a change of -39 points. Total Volumes at ICE were seen higher towards the 30,000 contract mark; precisely it summed up to 28,494 contracts.

The ZCE contracts on the other hand settled -325 Yuan lower for the January 2020 contract. The Figure on which it settled at was 12,430 Yuan per tonne. We usually find a correlation between the ZCE contracts and the other Contracts such as ICE and MCX. A drastic change in ZCE is usually set to have an impact on ICE and MCX, if it settles lower/higher with a great intensity. Thus many market participants also take cues from the settlement figures at ZCE.

While analysing the MCX contracts, this week is the last week for the MCX contracts of the year 2018-2019. The MCX August contract settled at 20,950 Rs/Bale, thus remaining unchanged. The MCX October contract settled at 19,620 Rs/Bale with a change of -80 Rs. The MCX November contract settled at 19,210 Rs/Bale with a change of -30 Rs. A good number of Cotton Bales were seen to be deposited at the exchange warehouses by some market participants at Telangana. However, the QC is still awaited for these 3,300 Bales.

The cotton crop condition report was released yesterday for the four major cotton growing areas comprising 15 states of the United States of America.

Time Period	Very Poor	Poor	Fair	Good	Excellent
This week	2	15	40	35	8
Last week	2	13	36	41	8
Last Year	13	18	25	33	11

Table 1: US Crop Condition Report

A year on year comparison shows that the crop condition this year in the United States is much better this year.

By the end of the week ending August 25, US cotton has been setting bolls at 90% which is higher by 5% as compared to the previous week. The Cotton grown in the Texas region was seen to show good figures where 33% were setting bolls as compared to the 19% average of the past 5 years. We therefore, reiterate the same which we mentioned in our last Tuesday’s report that, this year the cotton crop will arrive early in the US. On the other side, the yield will be something to watch for.

According to some unconfirmed news, around 48% of the US crop is already sold with respect to Forward contracts.

The Cotlook Index A has not yet incorporated a change and is therefore still at 70.30 cents per pound since last Friday.

Despite all the positive and negative news coming in, fundamentally, we are still of the view that ICE cotton still has the potential to touch lower figures of 55.55 cents per pound. Whereas MCX October contract has the scope to fall close to 19,000 Rs per Bale in the near term with a Floor support.

On the technical front, prices has given a break down from the bearish flag pattern accompanied with negative crossover of the EMA(5,9)=(59.27,58.68) suggest the base trend is bearish. Hammer bullish candlestick pattern may restrict the downside if 58 levels breached on the higher side.

Relative strength index (RSI) having a positive divergence with prices may also limit the downside. Trading in the range of 58.50-56.50 is recommended for the day. Closing above 58 levels may give the immediate pullback in the prices. In the domestic market MCX Aug future is expected to trade in the range of 20750-21100 with a sideways trend.

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

Trump Hikes Tariffs on Chinese Goods Again, Threatens to Force U.S. Companies Out of China

President Trump announced Aug. 23 that he will further increase existing and pending tariffs on imports from China in response to Beijing's move to raise its own tariffs on more than 5,000 additional goods from the U.S. The president also threatened to force U.S. companies to relocate operations out of China if bilateral trade relations worsen.

According to a statement from the Office of the U.S. Trade Representative, the additional 25 percent tariff currently in place on $250 billion worth of Chinese goods (lists 1 through 3) will be increased to 30 percent "effective October 1 following a notice and comment period."

USTR added that the additional tariff on another approximately $300 billion worth of imports from China, which is scheduled to be imposed in two stages on Sept. 1 (list 4A) and Dec. 15 (list 4B), "will now be 15 percent" instead of 10 percent. A Federal Register notice providing additional details is expected in the near future.

Also on Aug. 23 Trump declared in a Twitter post that "American companies are hereby ordered to immediately start looking for an alternative to China, including bringing ... your companies HOME and making your products in the USA." In a subsequent post he asserted that the International Emergency Economic Powers Act of 1977 gives him the authority to order U.S. companies to leave China.

However, Trump told reporters at a weekend summit of G-7 leaders in France that he has "no plan right now" to invoke this authority. Instead, a Bloomberg article quoted Treasury Secretary Steve Mnuchin as saying, the president is "ordering companies to start looking, because he wants to make sure to the extent we are in an extended trade war that companies don't have these issues and move out of China."

Source: strtrade.com- Aug 27, 2019

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US-China Trade War Could See Supply Chains Caught in 'Economic Death Spiral'

Both the United States and China appear to be delving deeper into a trade war that will have wide-reaching impacts for both economies and their respective supply chains if they can't pull back from the brink before conditions deteriorate any further.

Tensions ran high last week as China and the United States each announced new tariffs on the other's products, intensifying what has already been a contentious year for trade between the two nations.

In an official announcement Friday evening, following President Trump's trade policy Twitter alert, the Office of the United States Trade Representative outlined the country's retaliation to China's planned tariffs targeting $75 million worth of American goods, which it deemed "unjustified."

"In response to China's decision, and in order to achieve the objectives of the China Section 301 investigation, President Trump has instructed the United States Trade Representative (USTR) to increase by 5 percent the tariffs on approximately $550 billion worth of Chinese imports," USTR said.

That means, already in place 25 percent tariffs on $250 billion worth of Chinese goods, will now face a 30 percent tariff rate as of Oct. 1, following a notice and comment period. For the latest round of tariffs on another $300 billion worth of products that were set to be tariffed at 10 percent—some starting on Sept. 1 and the balance taking effect on Dec. 15—those goods will be subject to a 15 percent tariff on the same outlined dates.

Trump's anger was apparent Friday, as evidenced by a series of tweets lambasting China for its errs on trade, saying the world's second largest economy should not have put new tariffs on U.S. product and calling the move "politically motivated." He also ordered U.S. companies to "start looking for an alternative to China."

And while the president reportedly softened his stance Sunday when asked by reporters whether he was having second thoughts about the escalation, White House press secretary Stephanie Grisham has since stepped in, attempting to clarify that the only thing the president regretted was "not raising the tariffs higher," the Associated Press reported.

When it comes to ordering U.S. businesses out of the country, however, it would take a national emergency declaration to do it, and according to the AP, Trump said he has "no plans right now" to do so.

Endeavoring to do its part to deescalate relations with the U.S., Chinese vice premier Liu He, president Xi Jinping's top economic advisor, said, "We are willing to resolve the issue through consultations and cooperation in a calm attitude and resolutely oppose the escalation of the trade war," Reuters reported, citing a government transcript.

Liu also promised U.S. companies would continue to benefit from doing business in China.

"We will continue to create a good investment environment, protect intellectual property rights, promote the development of smart intelligent industries with our market open, resolutely oppose technological blockades and protectionism, and strive to protect the completeness of the supply chain," he told Reuters.

Where does that leave the supply chain?

The question now, is whether both countries can get out of their own way to resolve their respective issues on trade.

If you ask Nelson Dong, senior partner at international law firm Dorsey & Whitney and current board member for the National Committee on US-China Relations (NCUSCR), the answer is: maybe not.

"From the outside, it is difficult to see how these rapid volleys of tariffs and counter-tariffs can help the two teams of government negotiators to reach any kind of 'deal' that would be acceptable to both President Trump and President Xi or can avoid the spreading collateral consequences for many thousands of suppliers and customers on both sides of the Pacific or the knock-on effects in many other national economies," Dong said.

And that means tariffs may not be going away anytime soon—which also means prices are on their way up and purchasing power is on its way down.

What's more, according to Dong, "many parties along the supply chain will either experience lower profits or more lost sales (or some combination of the two).

"The resulting damage to consumers, producers and intermediaries can only combine to erode investor and consumer confidence, stall many needed investments, and increase the risks of negative local, regional or even global consequences," Dong said.

Some of those consequences, according to the Footwear Distributors and Retailers of America (FDRA), will spell a "continued nightmare" for footwear workers and shoe consumers.

"We've done the math and there is zero doubt shoe prices will rise, hurting poor families the most," FDRA president and CEO Matt Priest said Friday. "This uncertainty may directly plunge us into a recession where we shed thousands of American footwear jobs. This is not hyperbole."

Whether it wants a "calm" resolution or not, if China can't get that in its ongoing negotiations with the United States, its measures could reach beyond just new tariffs.

"Apart from tariffs, China also has the ability through its formal system of state-owned enterprises and its informal system of influencing nominally private enterprises to decrease the imports of certain goods," Dong said. "It has already used that power to sharply curtail the purchase of American-origin agricultural imports such as soybeans and other farm commodities, and there are multiple competitor countries who would eagerly replace American suppliers that have invested years or even decades in establishing their sales channels into China."

The difficulties and displacements that could pose for American suppliers could prove a multi-year struggle, Dong said.

"If these were only short-term difficulties and one could see some kind of an 'off-ramp' for both sides to settle their differences, there would be more hope, but nobody in authority has thus been able to present a credible picture of what such a resolution would be that could be domestically acceptable in political terms in both countries," he added.

For China, it isn't as easy as rectifying what the U.S. claims are its wrongs related to intellectual property, which initially prompted the Section 301 tariffs. Cleaning up its handling of intellectual property would mean "massive revisions" to China's economic and political system that the leadership may not want, Dong explained. And if China only makes "cosmetic fixes," that won't work for Trump and the wholesale changes he wants to see in their trade relationship.

"Because of their mutual interdependence and the sizes of their economies, China and the U.S. undoubtedly each has the capacity to inflict considerable economic damage on the other country and, conversely, to endure a great deal of economic pain through this struggle," Dong said. "The question remains whether the two countries also have the capacity and will to escape some kind of 'economic death spiral' where they are each so locked into positions from which they cannot easily back away to allow a political resolution.

"If the high-level talks tentatively scheduled for September can still occur and could yield some progress, that will be a hopeful sign," he continued, "but if [Friday's] two sets of announcements from Beijing and Washington (and what happens in the next week or two) should derail those talks entirely, both the U.S. and international economic pictures could become quite murky and ominous."

The latest from the Twitter front

In response to Chinese vice premier Liu's comments, Trump said Monday morning that he had "great respect" for President Xi and his team's aim of coming to a "calm" resolution.

"So impressed that they are willing to come out & state the facts so accurately. This is why he is a great leader & representing a great country. Talks are continuing!" the president tweeted.

Source: sourcingjournal.com - Aug 26, 2019

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Why Egyptian Cotton Exports Reached Highest Levels in Five Years

Egyptian cotton production and exports are at their highest levels in five years following a renewed focus on improving sustainability, with the 2018-2019 season seeing a 45 percent increase in exports, according to the Cotton Egypt Association (CEA).

The CEA, an independent body responsible for the global brand, has been supporting the implementation of "The Egyptian Cotton Project" activities that include innovative training, education and awareness across the cotton supply chain.

These efforts fall under the CEA's collaboration with the United Nations Industrial Development Organization, implementing "The Egyptian Cotton Project," and working with the Cotton for Life program and Better Cotton Iinitiative (BCI) to enhance and advance sustainability of Egyptian cotton, while reducing contamination.

The CEA said the cooperation with BCI has allowed the deployment of pilot cotton plantations supported by cotton traders, manufacturers and brands to pave the way for a BCI startup program in Egypt planned for the 2020-2021 cotton season.

"Our goal and ambition is to make Egyptian Cotton not only the most sustainable cotton, but one which has a traceable and transparent supply chain with positive impacts at every step along it, from the farmer to the brand, the retailer and the consumer," CEA executive director Khaled Schuman said.

In addition to adopting organic production methods, reducing water consumption and pesticides, the Egyptian Cotton Project is implementing education programs that promote farmers' and workers' health and welfare, gender equality, and entrepreneurial opportunities for young people, and through awareness training sessions addressing topics such as child labor, the importance of education, and qualified employment to serve as a positive alternative for youth in rural areas.

The Egyptian Cotton Project delivered technical workshops to 392 farmers on field management, irrigation, integrated pest management and harvesting. It also conducted approximately 50 field days in Damietta and Kafr El Sheikh governorates, coupling them with technical consultation sessions and on-field support.

"Trial areas adopting sustainable practices have seen a 30 percent increase in cotton yields and a 25 percent to 30 percent decrease in water consumption, according to the project's data," Schuman said.

The project's stakeholders will continue to work toward enhancing the sustainability, inclusiveness and value addition of the long- and extra-long staple Egyptian Cotton by developing the economic, social and environmental performance of cotton manufacturers, and strengthening support institutions, CEA added.

Source: sourcingjournal.com - Aug 26, 2019

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U.S. Cotton-Crop Conditions Deteriorate as Texas Fields Bake

Conditions for the cotton crop in the U.S., the world's biggest exporter, are deteriorating as dry weather erodes planting prospects in Texas, the top state grower.

In the week ended Aug. 25, 43% of the domestic crop was in good or excellent condition, down from 49% a week earlier, the U.S. Department of Agriculture said Monday in a report. In Texas, 34% got the top ratings, down from 42% a week earlier and 52% two weeks ago.

About 25% of crops in West Texas, the biggest producing region, will get rain in the next two days, though high temperatures and the resumption of dry conditions will keep soil moisture in a deficit, Drew Lerner, the president of World Weather Inc. in Overland Park, Kansas, said in a telephone interview.

Texas may produce 8.43 million bales, or 37% of U.S. output this season, up from 6.88 million last season, the USDA said on Aug. 12. A bale weighs 480 pounds, or about 217 kilograms .

"Yields could come down due to dryness" in parts of Texas, Sid Love, the president of Sid Love Consulting Services in Overland Park, Kansas, said in an email. "If that is the case, world numbers could be high" as estimated by the USDA, and that may lend support to prices, he said.

On ICE Futures U.S. in New York, cotton has tumbled 20% this year, partly on signs that the U.S. will reap a big harvest, helping to shift the world balance into a surplus in the season that started this month.

Source: bloomberg.com- Aug 27, 2019

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Bangladesh: Only 37 buying houses get registered with DoT

Only 37 buying houses got registered with the Department of Textiles in the government-set two-month timeframe that ended on July 28, according to DoT officials.

In a gazette notification issued on May 28, the textiles and jute ministry directed all the buying houses in the garment and textile sector to get registered with the DoT within 60 days of issuance of the notification to run business in the country.

DoT officials said as of Monday 135 buying houses including the 37 that got registered submitted applications to the department to obtain registration following the government instruction.

In the gazette notification, the ministry also said that as per the section 14 of Textile Act 2018, all the buying houses must have to be registered with the DoT within 60 days of issuance of the notification and if any buying house sought time extension with valid reasons, the registrar could allow 60 more days.

If any buying house fails to obtain registration on time, the government will take legal action against the company as per law, it said.

DoT director general Dilip Kumar Saha told reporters that they extended 60 more days for buying houses to file applications with the department for registration.

Regarding poor response from buying houses, he said it was a new initiative and many of the buying houses were yet to be aware about the government notification.

Earlier, on April 1, the ministry issued a gazette notification detailing what would be the procedure for getting the registration of buying houses with the DoT.

It said that the buying houses would have to file applications with the DoT with the documents of updated trade licence, income tax certificate, certificate of incorporation as limited company, estimated yearly turnover and bank solvency certificate.

The ministry has set Tk 20,000 as fee for the registration and it would have to be paid through bank draft or pay order.

Subject to receiving documents and if necessary, inspection report, the registrar would give registration within 60 days of submitting application and the validity of the registration certificate would be three years.

According to the DoT officials, there are more than 1,000 garment and textile buying houses across the country.

They said that many buying houses, which are associate members of the Bangladesh Garment Manufacturers and Exporters Association, were not getting registration as they were not members of the Bangladesh Garment Buying House Association.

Bangladesh Garment Buying House Association president Kazi Iftequer Hossain on Monday told New Age that it was difficult to say the actual number of buying houses but there were many companies across the country beyond their 470 members.

‘Now we are receiving 10 to 15 applications for membership every day as the government has made it mandatory for buying houses to obtain membership certificate from the association concerned to get registered with the DoT,’ he said.

Iftequer said that 135 applications had been filed with DoT in two months and it was a poor number but many of the buying houses were facing problem in renewal of their trade licences.

He hoped that the government initiative to bring buying houses under registration would ensure discipline in the buying house sector.

Source: newagebd.net- Aug 27, 2019

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How slavery hurt the US economy

The 400th anniversary of the arrival of the first African slaves in what was to become America has reopened an old debate: How important was slavery to the rise of the US as an economic power?

One school of thought argues that slavery in general, and cotton in particular, was the driving force behind the development of America's distinctive brand of capitalism. (The New York Times's ambitious 1619 Project contains a good encapsulation of this argument.) But not only has this theory come under fire for inaccuracies, its central narrative is incorrect.

The reality is that cotton played a relatively small role in the long-term growth of the U.S. economy. The economics of slavery were probably detrimental to the rise of U.S. manufacturing and almost certainly toxic to the economy of the South. In short: The U.S. succeeded in spite of slavery, not because of it.

That said, there is no doubt that slavery made many Southern plantation owners rich and propelled the U.S. cotton industry. In 1795, the year after the invention of the cotton gin, the U.S. produced 8 million pounds of cotton.

Widespread adoption of the gin raised that to 40 million pounds by 1801. From there, production increases came from the reallocation of slaves to cotton plantations; production surpassed 315 million pounds in 1826 and reached 2.24 billion by 1860.

The financialization of slave labor was key. Demand for slaves led to an increase in their price, which in turn allowed plantation owners to obtain cash-out mortgages to expand production. In just a quarter of a century, Southern agriculture was transformed into a nearly single-crop production. This rapid shift was not possible anywhere else in the world.

Nevertheless, the total effect of this boom on the U.S. economy was modest. In 1860, on the eve of the Civil War, cotton production represented just 5% of the U.S. economy. Crucially, relatively little — just 13% in 1830 — was used in the domestic textile industry. Virtually all the rest was exported to Great Britain.

These cotton exports skewed the terms of international trade, against the North and in favor of the South and Great Britain. Today, President Donald Trump rails about how the low value of the Chinese yuan puts U.S. manufacturing at a competitive disadvantage. In the 1800s, under the gold standard, a similar mechanism was at work. In exchange for cotton, Great Britain sent shipments of gold to the U.S. These shipments drained Great Britain of gold — and hence money. This transfer of cash pushed down cotton prices in Great Britain and up in the U.S.

The U.S. attempted to remedy the situation in 1828 by imposing tariffs on textiles. Just as today, that simply induced further imbalances in currency markets and had only a minor impact on the overall trade balance. By 1860, domestic use of cotton had increased to only 20% of total production, and U.S. prices were so inflated that a bale of cotton in New York cost more in real terms than a bale in Liverpool. Far from supporting U.S. industry, cotton cultivation was undermining it, a fact not lost on Northern opponents of slavery.

Still, it might be argued that the growth of a textile industry — in either the U.S. or Great Britain — would not have been possible without mass quantities of U.S. cotton. Unfortunately, this does not appear to be true.

After the onset of the U.S. Civil War, British imports of U.S. cotton collapsed, from 1.2 billion pounds in 1860 to just 28 million in 1862. By 1864, however, the shortage had been largely erased by an enormous increase in imports from India. Even more telling, after the Civil War and the loss of slave labor, U.S. production rapidly recovered. By 1871 the U.S. had exceeded its 1859 levels of cotton exports and was just short of its 1860 record, despite competition from India.

As Stanford economic historian Gavin Wright argues, slavery was a hindrance to U.S. cotton production. Prior to the Revolutionary War the price of slaves in the U.S. had been declining as the arrival of new slaves steadily increased the supply. After 1807, when the slave trade was officially banned, slave prices began their famously rapid climb.

Abundant land and a limited supply of slaves discouraged the South from investing in infrastructure. Planters would locate on the banks of a river, work the soil until it was depleted and then move — or in many cases simply sell their ever-more-valuable slaves — to a new spot down the river. This slash-and-burn economy, dominated by a rent-seeking elite, trapped the South in poverty.

Just before independence, the per capita GDP of the South, adjusted for inflation, was $3,100 per year — compared with just $1,832 in New England. Over the next 60 years Southern per capita GDP actually declined, to $2,521. British demand for cotton helped it to recover to $4,000 per person in 1860, but by then the comparable figure for New England was $5,337.

Slave labor was no match for canals, railroads, steel mills and shipyards. Slavery — and the parochial rent-seeking culture it promoted — inhibited the growth of capitalism in the South. Ultimately, it was Northern industrial might that ended that peculiar institution in the U.S. once and for all.

Source: hindustantimes.com - Aug 25, 2019

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Vietnam: Trade deals bring more foreign investment but also challenges

HCM CITY With its series of recent free trade agreements, Việt Nam is becoming very attractive to foreign businesses, especially in the textile and garment sector.

Herberton Co., Ltd from Singapore recently invested in a textile and garment plant in Nam Định Province in the north. The US$ 80 million USD will have a capacity of 25,000 tonnes of yarn of all kinds and 15 million pieces of garments a year, and provide around 3,000 jobs.

Last year the textile industry earned $36 billion from exports, a 16 per cent rise year-on-year, making the country one of the world's three biggest exporters of textiles and apparel, according to the Việt Nam Textile and Apparel Association (VITAS).

Vũ Đức Giang, chairman of VITAS, said the association has this year set a target of $40 billion.

To achieve the target, the association has recommended that enterprises should focus on investment, markets, human resources, and the use of the latest technologies.

The Government needs to continue with administrative reforms and inspections while removing difficulties for businesses, he said.

The association needs to connect enterprises and markets at home and abroad by increasing trade promotions, he said.

The industry is expected to enjoy a trade surplus of $20 billion this year with orders pouring in, he said.

"Many businesses have already received orders for even the entire year."

Because of increased capital flows into the industry, the country has gradually created a comprehensive textile and apparel supply chain, and the upcoming FTAs are also expected to benefit the industry.

But the FTAs also bring challenges, according to VITAS.

The trade deals Việt Nam has signed all have environmental barriers with higher green standards, which require enterprises to improve not only product quality but also production processes.

A failure to do this could see orders stopped or rejected, especially from major international brands. Most Vietnamese textile and apparel enterprises do outsourcing and thus rely heavily on orders from other countries.

Customers world-wide are now increasingly environmentally conscious, which has forced global brands to include higher environmental and social standards.

Experts said to maximise the benefits from the FTAs, the country should pay attention to developing the weaving and supporting industries to reduce dependence on imported feedstock.

Source: vietnamnews.vn- Aug 26, 2019

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Bangladesh urges Brazil to cut 35% import duty

Bangladesh commerce minister Tipu Munshi has requested Brazil to reduce the 35 per cent import duty to ease export of readymade garments (RMG) and other items to its market.

If Brazil lowers the duty, consumers there can buy reasonable-priced quality Bangladeshi RMG, he said during a meeting with the leaders of São Paulo Chamber of Commerce recently.

He was on a visit to MERCOSUR, the southern common market comprising Brazil, Argentina, Paraguay and Uruguay, according to a ministry press release.

Munshi also sought cooperation from the Brazilian Government and businessmen and importers there to pave the way for Bangladeshi products in the market there, Bangladesh newspapers reported.

He told leaders of the trade body that the main trade barrier, high import duty, can be reduced through signing a free trade agreement (FTA).

Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the São Paulo Chamber of Commerce signed a memorandum of understanding (MoU) to strengthen cooperation. It was also announced that a BGMEA will organise a trade fair on November 7-8 in Sau Paulo.

In the last fiscal, Bangladesh exported $176.90 million of products to Brazil and imported products worth $1520.60 million.

Source: fibre2fashion.com- Aug 26, 2019

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Pakistan: Cotton woes and Indian import ban

As the cotton crop enters a crucial phase of its life cycle, it raises assorted concerns for the planners and the textile industry. Both are keeping their fingers crossed as the weather turns anti-cotton — long spells of hot and humid weather, worsened by floods, causing an increase in pest pressure. And September, normally considered a make or break month, is about to start.

The situation in Punjab, which contributes over 70 per cent of the crop, is more worrisome.

The government has set a production target of 15 million bales this year with a goal of 25m bales by 2025. Therefore, Punjab has been told to jack up its production to 10m bales from 6.8m bales last year — a 32pc increase.

The current year represents the first year in achieving this colossal target. And the government is already failing.

Punjab started on the wrong foot this year. It had planned to sow cotton over 5.3m acres — a herculean task in itself given the competition from rice and sugarcane that have elbowed into cotton-growing areas. Punjab claims to have planted 5m acres of cotton crop however the Space and Upper Atmosphere Research Commission (Suparco), based on its satellite imagery, contends only 4.6m acres were sown.

Punjab considers its figures more credible since they are based on surveys of individual villages and farmers. Nonetheless, the controversy is there.
Punjab also lists a few other positive factors that may help hike up its production and compensate for the acreage loss. On average, the plant population has increased by 1,000 plants per acre in the province.

Early Kharif water shortage, which was more than 50pc for Sindh and 40-45pc during the entire season last year, has dropped to 10-15pc this year. The Indus River System Authority depleted Mangla Dam thrice this year to help sow cotton and is now struggling to fill the lake. Furthermore, germination was better and the crop, by and large, has escaped early pest attacks.

However, as the weather turns anti-crop, the Punjab authorities estimate that they would be able to increase cotton crop cultivation to 7m bales at best, a 2pc increase over the 6.8m bales cultivated last year.

The calculations are based on two factors: weather and pesticides quality. River Sutlej runs through the core cotton belt and if it overflows, it spells trouble for the crop. The Indian side has warned of 200,000 cusecs being released at the entry point (just South of Lahore), which could recede to 80,000 cusecs by the time it reaches the southern part of the province where cotton is cultivated.

“Eighty thousand cusecs will be too much for the belt,” says Zafar Hayat, farmer and cotton crop in-charge of the Farmers Associates Pakistan. The area could withstand an inflow of 40,000 cusecs but at 80,000 cusecs, massive areas along the banks will be inundated and humidified.

And River Sutlej is not the only river that poses this threat; others are also overflowing and turning the water-weather cycle humid. With temperatures during the day hovering around 40 degrees Celsius, and 30°C at night, pest pressure will increase further, Mr Hayat fears.

Media reports suggest that jassid and whitefly have already attacked the crop in South Punjab and are joined by thrips and pink bollworm. Though these pests have not crossed the economic threshold level yet, they are lurking close to it.

“People have lost faith in pesticides and are reluctant to use them because of quality issues,” says Naeem Hotiana, a farmer from South Punjab. The jurisdictional fights between federal and provincial agencies, legal confusion and monitoring problems have together forced farmers to lose faith in pesticides.

Despite the cases against pesticides companies, there are over 70 stay orders by courts that allow them to continue selling their products. Therefore, farmers are not ready to invest much on pesticides, Mr Hotiana explains.

If Pakistan again ends up at 11m bales like last year, where would the textile industry get the required cotton to fill the demand and supply gap? Last year, it imported around 1.2m bales (for $334m) from India. This year, imports from India are banned and the industry is worried.

“Indian imports helped the industry on two accounts — the time lag and freight costs,” says Kamran Arshad, owner of Ghazi Fabrics. Import from India was a two-week affair. Now, imports will most probably be sourced from the United States which is a 10-12 weeks process.

This means maintaining stocks for 10 additional weeks at a massive mark-up cost and paying about three to four times higher freight charges. With the textile industry already facing a significant liquidity crunch, this additional cost will be hard to bear.

“Not everyone is in a position to import from the United States and that too under the current high duty regime. The industry is waiting for a compensatory package to neutralise the impact, assuming such a package is offered”.

Source: dawn.com - Aug 26, 2019

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Pakistan's SMEDA to set up 1000 industrial stitching units

Pakistan’s Small and Medium Enterprises Development Authority (SMEDA) will set up 1,000 industrial stitching units under different phases of the Public Sector Development Programme (PSDP).

The commerce and textile ministry (MoCT) and SMEDA have signed an agreement regarding this. In the first phase, 150 such units will be established in three years. The ministry is sponsoring the project.

SMEDA will design an operational manual for the project to monitor and supervise the implementation process, and will designate its staff across provincial and regional offices for the project.

The agreement is valid for the next three years which will be extended automatically for another period of same duration, according to an SMEDA press release.

Source: fibre2fashion.com - Aug 27, 2019

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NATIONAL NEWS

India set to import more from US, PM Modi tells Donald Trump

Prime Minister Narendra Modi on Monday informed US President Donald Trump that India plans to further step up imports, including oil, from the country and that $4 billion worth of imports were already "in the pipeline", as the two countries sought to overcome their differences on tariffs and market access.

The Modi-Trump meeting assumes significance in the wake of the strain that has popped up in the bilateral relationship on a host of trade and economic issues.

Meeting on the sidelines of the G7 Summit in the French city of Biarritz, where India was a special invitee, Modi and Trump agreed that preferably before the Prime Minister visits US next month, there will be an interaction between their trade ministers at which "the whole range of trade issues will be discussed," foreign secretary Vijay Gokhale said.

Briefing on the 40-minute meeting between Prime Minister Modi and President Trump, he told reporters that commerce minister Piyush Goyal was supposed to go to Washington earlier but it did not materialise.

In Washington, a readout of the Modi-Trump meeting said, the two leaders discussed ways to broaden their strategic partnership and greatly increase trade between the US and India.

Though trade is an important part of the booming bilateral strategic partnership, a row over market access and tariffs has escalated in recent months, leading to fears of a protracted dispute.

President Trump has previously described India as the "tariff king." Before his meeting with Modi on the sidelines of the G20 Summit in Osaka, Japan, demanded the withdrawal of India's "very high" tariffs on US goods. "The Prime Minister spoke of the importance of energy imports from the US, and he referred to the fact that 4 billion dollars worth of imports are already in the pipeline and that would be expected to be stepped up," Gokhale said.

He noted that Prime Minister would be in the US in September to attend the UN General Assembly and would also travel to Houston, America's energy capital. The prime minister is scheduled to address the Indian community in Houston on September 22.

In Houston, the prime minister is expected to have a round table with the top CEOs of the energy companies in the US, he said. He said the objective there is two fold, one to see how India can import more energy (oil) from the US and second is how the country can invest in the energy sector in the US.

Gokhale said President Trump spoke very warmly of the fact that India has become a major importer of energy. He also indicated that he was willing to send top administration officials to Houston in an effort to ensure that the bilateral energy relationship made progress.

India's exports to the US in 2017-18 stood at $47.9 billion, while imports were at $26.7 billion. The trade balance is in favour of India.

Source: financialexpress.com - Aug 27, 2019

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No impact of US-China trade war on India: CEA Krishnamurthy Subramanian

The ongoing trade war between United States of America and China will not have any impact on Indian export which is just below 2 per cent of the global trade, Chief Economic Advisor Krishnamurthy Subramanian said on Monday.

Speaking to reporters on the sidelines of a programme here, he said the slew of measures announced by the Centre for the revival of muted growth in the economy was in the right direction, though it was necessary to focus on the 'structural reforms.'

"Our exports share is still very small. Our share of global export trade itself is about 2%. Therefore, we still have enormous opportunity to grow. Even if there is actually some shrinkage in the pie of the global trade, still we can grow our pie.

Exports cannot grow unless actually we emphasise on productivity, he said when asked about the impact of the tariff war between US and China on India.

"I would also add that news that the United States and China are actually sitting together and there may be a breakthrough that is coming possibly in which case will be good," he further said.

Last week, Finance Minister Nirmala Sitharaman had announced a raft of measures, including rollback of enhanced super-rich tax on foreign and domestic equity investors, exemption of start-ups from 'angel tax' and a package to address distress in the automobile sector, among others.

"The measures that have been announced actually are in the right direction. What I have said is that it is important to focus on economic growth and it is also important for us to focus on structural reforms which is what the policy announcement that I've made essential in corporate sector," he said justifying the measures announced by the Finance Minister.

According to him, the Centre would do all that is needed for the economic growth.

Subramanian said investments is a key driver of the economic growth while consumption is a force multiplier.

On the proposed Rs 70,000-crore capital infusion by the Centre in public sector banks, he said, "I think this Rs 70,000 crore that has been announced for recapitalisation of banks is quite important because the financial sector matters a lot for economic growth. Credit is basically the lifeline for economic growth. Therefore that is something which actually is important.

Source: business-standard.com - Aug 27, 2019

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India's stimulus plan falls short on vision

India is belatedly acknowledging that something's gone wrong with what was once billed as the world's fastest-growing economy. That's the good news. The bad news is that New Delhi still doesn't have a cohesive strategy to reverse the slowdown.

Finance Minister Nirmala Sitharaman did offer a stimulus package on Friday. The highlight was the rollback of a tax surcharge on overseas investors that she herself had imposed in July's budget. It's a welcome concession, though there's no logic in giving global banks a break on derivatives they trade in India while denying the same tax benefit to local hedge funds.

This unfair discrimination against a nascent industry in domestic alternative assets is Exhibit A of the nonstrategic thinking that's clouding policy-making in India. Exhibit B is the so-called angel tax on startups, a much-hated levy that has finally been removed. The tax was introduced by the previous Congress Party-led government and treated money raised by fledgling firms as income. Why did this instrument for harassing private businesses stay on the statute books for seven years, when getting rid of it was so simple?

The finance minister's plan to deal with a long and painful slide in the auto industry, where July sales slumped 36%, is Exhibit C. The government will buy more cars for its fleet, she said. That, and an assurance that vehicles purchased now won't become illegal when stricter pollution standards kick in next year, should help deal with some of the inventory buildup. But carmakers are unlikely to ramp up production until they see a sustainable return to normal volumes. That will require dealing with both depressed incomes of consumers and a financing funk.

Enter Exhibit D. Sitharaman will hasten the injection of 700 billion rupees ($9.8 billion) of additional capital into state-run banks, a policy she announced in July. It's not enough. Lenders still need to absorb the full hit from 2.4 trillion rupees of bad debt accumulated in just 16 companies, which they're trying to address outside the courts. Half of that reflects loans to troubled shadow banks, according to Credit Suisse Group AG. The figures for haircuts being discussed in the media are so large that banks will have little spare capital to expand their balance sheets.

A parallel effort by the Reserve Bank of India to link loan rates to its policy benchmark is a laudable move. Here, though, lenders are bound to look for ways to avoid passing on lower borrowing costs to existing customers. The government isn't willing to face up to the strategic reality that most of its inefficient state-run banks have no strengths beyond their large branch networks, which don't count for much in a digital world.

When you're always fighting fires, it's difficult to turn off the water hose and start tending the garden. The desolate patch that promises the most potential is exports. With U.S. President Donald Trump coming very close to pressing the tariff trigger on consumer goods made in China, the country with the biggest claim to insert itself into global supply chains is India, because of the size of its low-paid workforce.

Hong Kong-based Li & Fung Ltd., the world's largest supplier of consumer goods, says it's helping one American retailer slash its reliance on the People's Republic to 20% from 70% in two years. Even if Trump doesn't deliver on his ultimate threat, a large opportunity for India has opened up.

The three industries that hold the biggest promise for jobs and suppressed wages are textiles, autos and electronics. The trio can, in turn, support a fourth domestic supply chain – construction and real estate.

But Bangladesh is ahead in textiles, Thailand is stealing a march in autos, and Vietnam in shining in electronics. If Sitharaman and her team can show some strategic thinking around exports, India will be on a roll when global demand eventually steadies and recovers.

Allowing larger firms to flourish, enabling smaller firms to secure cheap financing and forcing the state to retreat from business would be the great news the private sector has been waiting for. The wait is becoming interminable.

Source: economictimes.com - Aug 27, 2019

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Cotton procurement at 340 centres this year

Minister tells officials to keep godown space available

The Agricultural Marketing Department has identified 303 mills in the State for procurement of cotton from the farmers this year in addition to 37 agricultural market committee yards.

At a review meeting on the preparations for kharif marketing season held here on Monday, Minister for Agriculture S. Niranjan Reddy suggested the officials concerned to keep the godown space available for storing the cotton procured from farmers before the commencement of cotton arrivals, generally expected to commence towards the end of October.

Chairman and Managing Director of the Cotton Corporation of India P. Alli Rani, Principal Secretary (Agriculture) C. Parthasarathi, Agriculture Commission Rahul Bojja, Director of Marketing G. Laxmibai and others participated in the meeting. Stating that minimum support price (MSP) of cotton was ₹5,550 per quintal (long staple), the Minister said procurement was allowed only at 230 mills during the last marketing season.

He suggested the officials to ensure proper weighing of cotton by checking the calibration of weigh bridges in advance and not to collect charges in addition to the ones prescribed while procuring cotton from them. The Minister said most of the cotton growing farmers were already issued the bar-coded identity cards, and wanted the officials to issue similar cards to farmers who were not issued with them so far.

Further, the Minister wanted crediting of amount in lieu of cotton sale by farmers to their bank account without much delay in the name of problem in farmers' details. He stated that cotton production is estimated to go up from 3.5% to 5% this year worldwide as the fibre crop was cultivated in about 34.59 million hectares. In Telangana, it was sown in over 17.61 lakh ha so far.

Oilpalm cultivation

At another meeting on Telangana State Cooperative Oilseeds Growers Federation (TS-Oilfed), the Minister asked the officials to encourage farmers to go for oilpalm cultivation in the State as the Centre had already identified that 206 mandals in the State are suitable for it.

As oilpalm had no threat of damage from the wild boars, monkeys and other animals, the plantation has the potential to be increased to 2 lakh acres from the present 40,000 acres.

Source: thehindu.com - Aug 27, 2019

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India monitors imports from Bangladesh

Cheap imports from other countries are coming to India via Bangladesh. Now checks are being done to ensure only Bangladesh origin imports enter Indi. Origin certificates issued for such consignments by Bangladesh trade bodies will be carefully examined. India offers duty concessions to Bangladesh under a free trade pact.

A close watch will be kept on garment imports under the South Asian Free Trade Area agreement entering the country via Bangladesh. Such imports using the FTA route without any value addition don't just defeat the whole objective of the agreement but also hurt the Make in India initiative.

The South Asian Free Trade Agreement mandates 30 per cent local value addition in least developed countries for import by other nations.

Local value addition norms are incorporated in the trade pacts to not just protect the importing partner but also to ensure contribution to the exporting partner's economy and local job creation through stringent value addition criterion.

A show-cause notice was issued in early August to Future Enterprises on 83 garment consignments, allegedly imported from third countries and routed via Bangladesh to take advantage of zero import duty. The fear is that the route could be abused by other importers.

Source: fashionatingworld.com- Aug 26, 2019

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India's forex reserves are 'not built out of export surplus': RBI Deputy Governor

India's foreign exchange reserves are borrowed reserves and not built out of export surplus, according to Reserve Bank of India Deputy Governor BP Kanungo.

"Inasmuch as it (forex reserves) provides a bulwark against sudden flow reversals, it enhances the country's ability to cope with the fallout and, indeed, contributes to global stability as well," he said in a speech delivered at the Forex Association of India Conference in Singapore earlier this month.

India's forex reserves stood at $430.50 billion in the week ended August 16. Though long-term flows related to foreign direct investment (FDI) and long-term debt have been fairly stable, keeping in tandem with the economic fundamentals, Kanungo assessed that portfolio flows have their own dynamics depending as much on attractiveness of returns of Indian assets as the global factors determining their risk appetite.

"Gyrations in the forex market in these circumstances leave no option other than market intervention to restore orderliness in the market," he added.

Global economy

Kanungo said the global economic scenario is not very encouraging, though there is no room for pessimism yet.

He observed that growth in developed countries remains sluggish and emerging economies, including China and India, the dominant contributors to global growth in recent years, appear to be facing challenges.

The Deputy Governor said another era of accommodative monetary policy regime seems to be round the corner, as evident from the synchronised rate cut by several central banks. The IMF continues to revise the global growth projections for 2019 downward, though the outlook for 2020 is more positive, he added.

As per the IMF's July 2019 World Economic Outlook (WEO), global growth is forecast at 3.2 per cent in 2019, picking up to 3.5 per cent in 2020 (0.1 percentage point lower than in the April WEO projections for both years).

Export and import

Kanungo underscored that while every country favours exports (except when the terms of trades are deteriorating) because it contributes to domestic employment and growth, there is an abhorrence for imports because the country loses employment, growth, and foreign exchange.

“This brings in deterrent measures like tariff and when one hears talk about optimum tariff, it simply means optimum for the welfare of the country concerned, not for global welfare as a whole. And if all the trading countries impose retaliatory tariffs, it becomes a negative-sum game affecting global welfare and welfare of individual nations to a varied extent,” he expounded.

While the national governments and policymakers are supposed to act in the interest of their respective constituencies, the Deputy Governor said the collateral effect of their action on the rest of the world can be significant.

“The need for coordinated action among the leaders of the larger nations is urgent. It must be borne in mind that such coordinated action did contribute to contain the global financial crisis,” he added.

Source: thehindubusinessline.com- Aug 26, 2019

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Any immediate bump-up in exports or export-oriented sectors unlikely: Sunil Subramaniam

Keep a multicap fund option which can initially tilt towards largecaps and as time passes, switches to cyclicals and emerging businesses.

What is your view on the announcements made by Finance Minister Nirmala Sitharaman as a market participant? How do you see the Street reaction on it?

It signalled the responsiveness of the government to what is happening not just in the economy but also in the capital markets. What stood out for me was that the government was making a clear statement of intent that we are concerned and we are ready to act.

The second point is the fact that with that kind of announcement, economy is back on the agenda. In the first term of the Modi government, the first two-three years were very much economically oriented and towards the fag end, it had turned a bit populist and turned a bit towards winning elections kind of a strategy. The commencement of the new term solved the political related matters like Article 370 and all that was happening. The market was a little bit worried that the government has forgotten the economy. So, this has made a clear statement of intent that the economy is back on the government's agenda.

How does that make you assess the Indian equity markets, especially in light of what is happening globally? There are a whole host of concerns around economic slowdown, trade wars and the flip-flop happening with that as well?

In that context, I would say there is a definite election orientation in the American economy from Mr Trump's side because next December is re-election period. Naturally, he is likely to do everything to gather support of the local population in terms of the vote bank. All of these announcements will probably go up. The world economy is going to be a little bit challenged in the next 12 to 18 months till the US election results are clear and there is no way out from it.

From our perspective, two things emerge -- one, any immediate bump up in exports or export oriented sectors would be a challenge because of the global environment.

What category of funds do you think would be best suitable for investors in such an environment? Should they look at midcap, smallcap or balance kind of funds or large caps?

I would say that if you take 12-18 months' perspective, largecap and midcap funds would be in good visibility in terms of both their earnings growth and valuations support. If you stretch it out to two and a half, three to five years' perspective, I would strongly expect mid and smallcaps, given where they are from a valuation perspective and the fact that in a year from now, private capex should start off further boosting the order books for mid and small cap companies.

If you have a less than two year perspective on largecaps and large and midcaps, if you have anything from a 3-5-year perspective, I would weigh mid and smallcaps more. Keep a multicap fund option which can initially tilt towards largecaps and as time passes, switches to cyclicals and emerging businesses, which are essentially small and midcap over a period of the next five years.

Source: economictimes.com- Aug 26, 2019

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GST returns filing date extended

The Government has extended the last date for filing annual GST returns by three months. “It is hereby informed that the last date for furnishing of annual return in the FORM GSTR-9 / FORM GSTR-9A and Reconciliation Statement in the FORM GSTR-9C for the financial year 2017-18 is extended from August, 31, to November, 30,” a statement from the Finance Ministry said.

Source: thehindubusinessline.com- Aug 26, 2019

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US-China ‘war’ hits TS cotton: Market expects turmoil, Rs 5,000/quintal in Khammam

Cotton traders in Khammam are expecting turmoil in the market, with the price expected to settle between Rs 4,500 and Rs 5,000 per quintal. The minimum support price for cotton per quintal is `5,575, and traders had purchased cotton at Rs 6,100 per quintal at one stage in the previous season.

Mr Gudavarthi Srinivasa Rao, a cotton exporter, said, “China used to import cotton yarn at Rs 49,000 per bale (365 kg) till recently, and the price has fallen to Rs 42,000. It fall further, below Rs 40,000.”

In a situation of falling prices, the Cotton Corporation of India is the establishment that offers MSP to farmers. CCI buys the cotton from farmers and sells it to local textile companies.

Apart from cotton yarn imports by China, farmers will also be hit by a partial shutdown called by cotton spinning mills in India due to a squeeze in the demand from China.

Besides, Bangladesh has accumulated yarn stocks, a potential risk to the millers as well as farmers.

Farmers of Khammam district have raised cotton on 85,000 hectares in the Kharif season against the average of one lakh hectares. The reason was not commerce but the poor weather. Cotton sowing was delayed due to the late rain and farm officials discouraged farmers from cultivating the crop. They asked them to go for chilli and red gram instead.

Some farmers stayed with cotton, ignoring the advice of farm officials. Mr K. Sridhar, a farmer, said, “We will not leave the crop because we expect some good price every season. It motivates us.”

The farmers used to produce 20 lakh quintals of cotton every year and up to 60 per cent of this used to be exported in the form of yarn. Experts said that the state and Central agencies should be ready to face the situation, if exports to China are hit and the price begins falling.

Source: deccanchronicle.com- Aug 27, 2019

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CM lays stone for textile processing unit

Amidst protest from local people from various villages near Kariyapatti, Chief Minister Edappadi K. Palaniswami on Monday laid foundation stone for Southern Districts Textile Processing Cluster Private Limited and New Industrial Park.

The ceremony for the industrial park planned between Thamaraikulam and Pottalkulam in Kariyapatti Taluk was done through video-conferencing.

However, over 100 people from various villages, who turned up at the Kariyapatti Taluk office to make a representation opposing the project, staged a road roko after Collector A. Sivagnanam returned to Virudhunagar without meeting them.

The villagers alleged that police had swooped down in various villages in the region early in the morning and kept people under their custody fearing that they could disrupt the video-conferencing event that was held at the Kariyapatti Union Office near the bus stand.

“We were kept under house arrest by a large posse of policemen in our village,” complained P. Senthamarai Kannan, 38, of Thamaraikulam.

“It is not a textile park but only a dyeing unit that has the history of having ruined the environment, groundwater and livelihood of people and farmers every where,” said Tamil Nadu Vivasayigal Sangam district secretary V. Murugan.

The Collector was not willing to meet the agitating villagers, he said. “Why should he not clear their doubts and tell them the truth?” he said.

Public hearing on the proposed industrial park that was held in 2016 had to be abruptly wound up after the officials could not give any satisfactory reply on the environmental impact of the dyeing units, said R. Ganesan, 55, of Karaikulam.

Alleging that the units would be drawing more 60,000 litres of water a day by sinking huge borewells at the site, he said groundwater table in the region would deplete soon. “Not only our irrigation, but also cattle heads would suffer a lot,” he added.

Mr. Senthamarai Kannan said cattle rearing was a major occupation in almost all the 10 villages in the stretch. “Even in our village, some 10 farmers are having 2,000 goats,” he added.

Citing the case of Tiruppur where dyeing units have spoilt the groundwater, Mr. Ganesan said that the villagers will be happy if any other unit other than dyeing unit is set up in their region. The effluent will ruin the Kanalneer Odai and also several tanks, the villagers said.

The villagers said that they would launch a series of protests after a detailed discussion with people of all villages. They are also planning to get a legal intervention on the issue.

However, project director of the cluster KR. Gnanasambandan claimed that the project had got no objection certificate from Environmental Impact Assessment Authority.

“We are going to take 2 lakh litres of water from a sprawling 100 acres in which all rainwater harvesting structures will come up. The water drawn will be duly recharged,” he said.

Thirty six textile dyeing and processing units will come up at a cost of ₹200 crore. “Since most of the some 100 dyeing units that were closed down in and around Madurai due to the pollution issue, we have formed a cluster with common treatment facility.

It will be a zero-discharge unit. While 95% of effluent will be recycled, the remaining will be allowed to evaporate without harming the environment,” he added.

The project is getting 50% subsidy from Centre and 25% subsidy from State.

Source: thehindu.com- Aug 26, 2019

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