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IBTEX No. 168 of 2019 August 28, 2019

US 71.62| EUR 79.40 | GBP 87.95| JPY 0.68

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20526	42900	**76.38**

Domestic Futures Price (Ex. Warehouse Rajkot), August

Rs./Bale	Rs./Candy	USD Cent/lb
21130	44162	**78.63**

International Futures Price

NY ICE USD Cents/lb (December 2019)	57.92
ZCE Cotton: Yuan/MT (January 2020)	12,345
ZCE Cotton: USD Cents/lb	78.18
Cotlook A Index – Physical	**60.30**

Cotton Guide: On an international perspective when we speak fundamentally, we still are of the opinion that the prices will be in the high 50's or low 60's in the coming sessions. As soon as harvesting kicks in, the prices might even head down to 55.55 cents per pound, given the scenario that the demand situation remains negative.

We need therefore to wait to see more of the supply and demand figures. On the other hand [due to some exogenous news] if the speculators [who are record net short] liquidate their positions, the cotton prices will not shy to thrust towards higher figures. Also the yield will be something to watch out for in the Major Cotton growing countries especially the BIG 4 – INDIA, CHINA, USA and BRAZIL.

The primary trend of the cotton market is still sloping down. There have been many instances where a pullback was witnessed due to a plethora of reasons. However, the Geopolitical factors and the Muddled Demand have played a huge role in keeping the prices to move towards the lower trajectory. We have also witnessed a 3 ½ year low this month. On the other hand this year, the large non-commercial institutions that have a large sum of money invested in the cotton markets have played a crucial role in bringing the prices down by going short.

While having a look at the Domestic MCX contracts, the MCX August contract has further shown an uptick after a short decline thus holding on to its major trend of positivity. The MCX August contract settled at 21,130 Rs per bale with a change of +180. The next MCX contract- the October contract settled at 19,750 Rs per bale with a change of +130 Rs. The total volumes and the open interest witnessed a decline. The Total volumes were 38% low and the OI were around 4 % low. We expect the prices to remain positive at MCX for today.

The ZCE contracts on the other hand settled a tad lower. The ZCE January contract settled at 12,345 yuan per tonne with a change of -85 yaun.

The Cotlook index A has been updated at 69.30 cents/lb thus incorporating a change of -1.00 cents/lb. The Prices of Shankar 6 have remained firm at around 42,900 Rs/Candy.

On the technical front, prices has given a break down from the bearish flag pattern accompanied with negative crossover of the EMA (5,9) = (59.28,58.62) suggest the base trend is bearish. Bullish hammer candlestick pattern may restrict the downside but a close above 58 will re-enter in the trading zone of 58-60. Relative strength index (RSI) having a positive divergence with prices may also limit the downside. Trading in the range of 57.50-59.50 is recommended for the day. Closing above 58 levels may give the immediate pullback in the prices. In the domestic market MCX OCTOBER future is expected to trade in the range of 19500-19850 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

USA: Low Cotton and Ocean Freight Prices Help Balance Higher Sourcing Costs

Apparel importers and exporters dealing with real and prospective increased costs from higher tariffs on goods shipped between the U.S. and China are at least catching a break from lower cotton and ocean freight prices.

Executives say the tariff situation has already raised costs around 5 percent to 10 percent due to expenditures in shifting production out of China to avoid the risk of threatened tariffs between 15 percent and 30 percent, according to Trump's latest changes.

Teri List-Stoll, executive vice president and chief financial officer of Gap Inc., said last week that the company has "contingency plans in place…including partnering with our vendors to share in the cost, as well as pricing actions."

The denim-centric company's chains–Gap, Old Navy and Banana Republic–really heavily on cotton, so some price alleviation is available from the slump in cotton price that have dropped from $1 a pound to near 50 cents in the last year.

Spot prices on U.S. cotton averaged 54.76 cents per pound for the week ended Aug. 22. The was up from 54.15 cents per pound the prior week, but down from 78.73 cents a year ago earlier. On Monday, prices held steady from Friday's close at 58 cents.

The lower cotton prices aren't good news for farmers, which have also seen exports to China slashed during the U.S.-China trade war.

"When the possibility of lower order volumes is extended across other supply chains, it becomes evident how the trade dispute can impact the global economy and concern about escalating tariffs has been a reason forecasts for economic growth have been falling," Cotton Incorporated said in its most recent assessment. "Slower global economic growth is associated with slower growth in mill-use, and this can be another way tariffs can affect the cotton market.

On the logistics side, ocean freight rates have also been held down by lower demand as global trade and oil prices have weakened. Drewry's composite World Container Index (WCI) decreased 0.2 percent to $1,453.94 for a 40-foot container or equivalent (FEU) last week, and was down 17.1 percent from compared with same period of 2018.

Freight rates from the well-travelled Shanghai to New York route fell $126, or 5 percent per FEU, to $2,159 last week. Freight rates on Shanghai to Rotterdam weakened by $87, or 5 percent, to $1,644 per FEU and freight rates from Shanghai to Los Angeles dropped $63 per FEU, a 4 percent decline to $1,393. Bucking the trend was the Shanghai to Genoa, Italy route, where rates surged $349, or 20 percent, to reach $2,099 per FEU.

The average composite index of the WCI, assessed by Drewry for year-to-date, is $1,448 per FEU, which is $16 higher than the five-year average of $1,432 per FEU. Drewry said it expects rates to remain steady this week.

Source: sourcingjournal.com- Aug 27, 2019

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Global fashion trade increases by 35.1%

Last World Trade Organization (WTO), data shows, global fashion exports in the last decade increased by 35.1 per cent, while global trade increased 26.4 per cent. In 2007, two years after the Multifiber Agreement came into force, clothing exports increased to $349 billion. A decade later, these exports increased to $471 billion. Global trade in the same period increased from $14 billion in 2007, to $17.7 billion in 2017.

India registered the strongest performance in its international clothing trade during this period; followed by Brazil and other Asiatic countries excluding China and the ASEAN member. Exports by the United States increased by 28.6 per cent between 2007 and 2008, those by Japan increased by 20.1 per cent and the European Union by 33.5 per cent.

China, that entered the WTO in 2001, increased its garment exports by 93.3 per cent during this period. Middle East and Australia also positioned high in the list, with rises near 100 per cent.

Restrictive measures of world trade registered exceptionally high levels between October 2019 and mid-2019 as the value of trade affected by these countries was estimated to be $339 billion, the second highest number available, after the $588 billion registered the previous period.

Source: fashionatingworld.com - Aug 27, 2019

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Rare earth mining, textiles and ICT manufacturing seen as areas Vietnam can benefit from trade war

Even as the US-China trade war intensifies, analysts at Fitch Solutions Macro Research said that the rare earth mining, textiles manufacturing and information and communications technology (ICT) manufacturing sectors of the Vietnamese economy will benefit from the changes brought on by the US-China trade war, namely the supply chain shift out of China.

Rare earth minerals are a group of 17 elements that are used in a number of highly strategic or technologically advanced products such as semiconductors, fibre-optic telecommunications, batteries and high performance magnets .

China currently holds a near-monopoly on the global supply of rare earth metals, with over 72 per cent of global market share.

Additionally, reports have emerged suggesting Beijing could consider imposing restrictions or tariffs as part of the trade war with the US.

Analysts mentioned that even if China decides not to limit the export of rare earth minerals to put pressure on the US, increased attention and concern by US policymakers over China's dominant position is likely to support a diversification of rare earths supplies .

US policymakers have already been seen to propose legislation aimed at encouraging the domestic production of rare earths, while the US Department of Defense has asked for additional federal funds to do the same.

While the analysts do not believe that new facilities will be able to ramp up production in the next one-to-two years, they said that the increased focus on the source of rare earth elements will likely see greater investment for those countries with sizeable reserves deposits such Vietnam.

In the area of textiles, Vietnam stands out as the most immediate beneficiary of multinational firms' efforts to diversify and maintain access to US markets.

In recent years , the country has attracted significant investment into its low-value added manufacturing, with investors finding its combination of low wages , relative political stability, rapidly developing transport and utility infrastructure and improving regulatory environment to be particularly attractive.

Analysts believe that continued US-China tensions will likely spur further investment, not only due to the favourable business environment, but also because they expect manufacturers will prefer to ramp up production in locations that they already have operations, leveraging current networks and existing knowledge. In the case of Vietnam, it is already the second largest exporter of apparel to the US, only behind China, making it an obvious diversification option.

Analysts have already seen this playing out to a certain extent, with firms like Brooks Sports and Asics having announced plans to move part of their shoe manufacturing into Vietnam in recent months.

With the US having announced plans to expand tariffs on Chinese goods to cover textiles and other final consumer products, analysts see room for further investment.

The ICT sector has already been significantly impacted by US/China trade war and analysts expect further shifts in supply chain dynamics in the coming quarters .

Even before the trade war, analysts had already begun to see multinational firms shifting low-to-mid level ICT manufacturing out of China as as saturated labour market pushed up costs , but this trend has been accelerated by trade tensions .

ICT exports and investment are likely to remain a major focus for the US government. In part this is due to the sheer size of US ICT imports from China, though efforts to hamper Beijing's Made in China 2025 development agenda play a role as well.

Analysts have already seen supply chain dynamics beginning to shift, driven primarily by original equipment manufacturers.

In Q1 2018, China accounted for around 56 per cent of total US electronics imports , but by Q1 this year, this has fallen to around 43 per cent. Part of this likely reflects a re-routing of products from China through Southeast Asia rather than a shift in productive capacity and analysts expect China will remain a major player in this market.

However, over the longer term, given the increasing US government focus and risk of restrictions, analysts believe this will spur a continued diversification and a ramping up of new productive capacity across Southeast Asia.

So far, Vietnam appears to be a major beneficiary in low-to-mid range ICT product manufacturing. The country is already a well-established electronics manufacturer and is currently the second largest smartphone exporter in the world, benefitting from U$17 billion in investment from Samsung alone since 2007.

Similarly, with contract manufacturers such as Foxconn and Pegatron contemplating shifting more production out of China and into emerging Southeast Asia, the analysts believe that Vietnam is positioned to benefit from further investment.

Source: businesstimes.com.sg- Aug 27, 2019

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Tariff escalation makes future planning impossible: NRF

The National Retail Federation (NRF) has said that the latest announcement of the Trump administration to raise tariffs further on Chinese goods creates a type of environment where it would be impossible for businesses to plan for the future. NRF is the world's largest retail trade association representing retailers in the US and 45 other countries.

"It's impossible for businesses to plan for the future in this type of environment. The administration's approach clearly isn't working, and the answer isn't more taxes on American businesses and consumers. Where does this end?" said NRF senior vice president for Government Relations David French in a statement.

In its latest round of tariff escalation, the Trump administration has announced that current tariffs on $250 billion in Chinese goods will rise from 25 to 30 per cent on October 1. New tariffs set to take effect September 1 and December 15 on $300 billion in Chinese goods will rise from 10 to 15 per cent.

In the US, retail is the largest private sector employer, supporting one in four US jobs — 42 million working Americans. The sector contributes $2.6 trillion to annual GDP of the US, and is a daily barometer for the nation’s economy.

Source: fibre2fashion.com- Aug 27, 2019

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Maersk’s New Partnership Could Cut Containerized Trucking Costs in India

Maersk, a major ocean container carrier, has created a partnership with India’s BlackBuck to provide an online marketplace for containerized trucking in export-import logistics in India.

The new platform will be owned and operated by BlackBuck, with Maersk supporting development of industry-specific solutions. The platform will be open to the entire industry, and the companies expect it to drive sustainable growth and efficiency by reducing touchpoints in the supply chain. This will help improve consistency in service delivery through real-time visibility and control.

It also will take steps toward the Indian government's goals of reducing logistics costs from 14 percent of gross domestic product to less than 9 percent by 2022, the firms said.

"Our customers are dealing with fragmented vendors with varying service levels of communication, geographical, financial and infrastructural disparities resulting in suboptimal supply chains," Arjun Maharaj, head of sales for Maersk South Asia, said. "At Maersk, we have committed ourselves to working with partners who understand these challenges, match our set of values and have expertise in both logistics & technology."

BlackBuck has focused on bringing the offline operations of trucking online, either by matching a shipper with a trucker or reshaping the infrastructure around trucking to facilitate payments, insurance and financial services.

"At BlackBuck, over the last four years, we have developed our robust product and technology that maximizes the billable kilometers of a truck, delivering higher realization to the truck owners and driving a low-cost transportation network to the shippers," Ramasubramaniam B, chief operating officer of strategic initiatives at BlackBuck, said.

"Our product will add significant value to the EXIM containerized trucking industry in India that has the additional complexity of meeting the timelines of sea freight connections, apart from other regular trucking related challenges. Maersk with their industry specific knowledge and expertise, will help us transform this space through digitization."

Maersk has set out to digitally transform its operations, and among its global initiatives is the India-focused OceanPro accelerator program launched in 2018. The solutions developed by some of the start-ups in first stage of OceanPro are already being implemented through various services to accelerate innovation in India's shipping and logistics industry, the company said.

"At Maersk, we are collaborating with such start-ups that will help us solve land-side logistics challenges in India by not only reducing costs but also creating efficiencies for all the stakeholders in the value chain," Bhavik Mota, head of product for Maersk South Asia, said.

Source: sourcingjournal.com - Aug 26, 2019

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Turkey, Mexico begin free trade deal talks: Trade body

Turkey's Trade Ministry plans to visit Mexico in fall with larger business delegation

Turkish trade body announced Tuesday that Turkey and Mexico agreed last week on resumption of negotiations for Free Trade Agreement.

Speaking at the Turkey-Mexico Trade and Investment Seminar, the Deputy Minister for Trade Gonca Yilmaz Batur said that a bilateral meeting with the Undersecretary of Foreign Trade of Mexico Luz Maria de la Mora was "very fruitful", according to a statement by Foreign Economic Relations Board of Turkey (DEIK).

Batur expressed her expectation that the commercial and economic relations between two countries will reach "a level that matches the real potential" with joint work.

"The volume of trade between our countries exceeded $1.2 billion in 2018," Batur said, and added: "2019's first half also showed a similar trend in our bilateral trade. Exports to Mexico reached $287.4 million, while imports from Mexico reached $276.1 million."

She said that the two economies have common characteristics, and the trade figures indicate the potential of Turkey and Mexico and added: "To raise these figures to the desired levels, we need to plan for more mutual visits, especially between our trade delegations and as a part of regular meetings of the Joint Economic Commission."

"And most importantly, we need to sign a Free Trade Agreement between our countries," she stressed.

The Turkish government declared Mexico as one of its target countries in 2019, said Batur and announced that the Trade Ministry is planning a visit to Mexico with a larger business delegation in fall.

For his part, Mexico's Ambassador to Turkey Bernardo Cordova Tello said that with Turkish Airlines' direct flights to the country and "excellent" diplomatic and political relations, the distance between Turkey and Mexico and communication are no longer obstacles for strengthening the bilateral economic ties.

"As ministry, we are determined to develop our economic relations with Turkey," said Luis Fernando Godoy Rueda, deputy general manager of Mexican Ministry of Economy.

Turkey-Mexico Trade and Investment Seminar was held in Mexico on Aug. 23 and hosted by the Foreign Economic Relations Board of Turkey (DEIK) and Turkey-Mexico Business Council.

Source: aa.com.tr - Aug 27, 2019

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Japan's UNIQLO to add 3 stores in Indonesia

Japanese apparel retailer Uniqlo recently announced plans to open three new stores in Indonesia—at Mall of Indonesia in Kelapa Gading, Jakarta; the Grand Galaxy Park in Bekasi, West Java; and the Grand Batam mall in Penuin, Batam, Riau Island. To be inaugurated next month, the openings will begin with Batam, marking the brand's first presence in the city.

Naoki Kamogawa, president director of PT Fast Retailing Indonesia, Uniqlo's Indonesian arm, said in a statement that the addition of stores in Jakarta and Bekasi will further strengthen the company's presence in lifewear products and services in these cities.

With the three new stores, Uniqlo Indonesia will have a total of 29 stores in nine cities across the archipelago.

Source: fibre2fashion.com- Aug 28, 2019

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CEA supports the Egyptian Cotton project

Cotton Egypt Association (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 Initiative (BCI) to enhance and advance sustainability of Egyptian cotton, while reducing contamination.

The CEA's 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.

Besides 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 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.

Source: fashionatingworld.com- Aug 27, 2019

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Pakistan cotton production reaches record high

In 2019-20 season, Pakistan's cotton production is likely to reach the high level of the 2011-12 season. In Pakistan, cotton areas have gained strong support from the high cotton prices and good rainfall during the planting period.

Cotton prices have been rising for four successive years. Cotton production may reach the level of 2011-12 this season.

In addition, during the planting period, Pakistani cotton prices were relatively low compared with international cotton prices, stimulating domestic enterprises to choose local cotton, pepping up the domestic cotton prices somewhat and improving the growers' enthusiasm.

Since the 2011-12 season, when cotton production hit a record high of 2,518 million tons, production has been constantly decreasing.

In the 2015-16 season production was only at 1.814 million tons, down about 28 per cent compared with that in the 2011-12 season. Higher cotton areas are supportive to reach the target of cotton production.

In the first half year of 2019, precipitation in Punjab has increased by 89.1mm to 133.2mm, and that in Sindh up by 29.5mm to 64.1mm. The favorable weather condition is also good for the growing of cotton.

The good price and favorable weather conditions give strong support to reach the cotton target of the 2019-20 season.

Source: fashionatingworld.com- Aug 27, 2019

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Pakistan: Exports of textile articles increase by 3.16 percent in July: SBP

The exports of textile articles from the country grew by 3.16 percent during the first month of current financial year 2019-20 as compared to the corresponding month of last year.

During the month of July, 2019, the export of textile and its articles was recorded at $1233.636 million as against $1195.820 million exports recorded during the same month of last year, showing growth of 3.16 percent, according to the data issued by the State Bank of Pakistan.

The commodities that contributed in growth, carpets and other textile floor coverings, export of which grew from $6.414 million last year to $6.978 million during the period under review, showing growth of 8.79 percent.

The exports of articles of apparel and clothing accessories (knitted or crocheted) grew by 6.57 percent from $258.274 million to $275.258 million while the exports of articles of apparel or clothing accessories (not knitted or crocheted) also increase by 11.08 percent from $218.072 million to $242.245 million.

During the period under review, the export of knitted or crocheted fabrics increased by 116 percent from $1.787 million to $3.860 million whereas the export of other made-up textile articles increased by 3.85 percent from $337.453 million to $350.465 million, the data revealed.

The export of man-made filaments increased by 22.89 percent from $2.223 million to $2.732 million while the exports of man-made staple fibers also increased by 8.08 percent from $24.972 million to $26.992 million.

Meanwhile, the export of other vegetable textile fibers (paper yarn etc) increased by 145.28 percent from $0.371 million to $0.910 million, the data added.

On the other hand, the commodities that contributed in negative growth included silk, exports of which declined by 44 percent from $0.525 million to $0.294 million while the export of wool, fine or coarse animal hair, horse hair yarn also decreased by 80 percent from $0.501 million to $0.100 million.

During first month of current financial year, the exports cotton dipped by 2.99 percent from $327.557 million to $317.743 million while the exports of wadding, felt and non-woven, special yarn, twine also decreased by 97.11 percent, from $14.588 million to $1.880 million, the data revealed.

Source: thenews.com.pk- Aug 27, 2019

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Pakistan: Brisk buying on cotton market

Cotton prices remained steady on Tuesday amid sustained buying orders from needy spinners. However, there was uncertainty as global factor heavily weighted against sentiment.

The rapidly falling cotton prices in the world markets and brewing industrial crisis particularly in India turned many leading textile mills cautious as a result they restricted their buying activity to short-term needs, brokers said.

The world leading markets under the lead of New York Cotton Exchange recorded a fresh fall in prices with Indian and Chinese markets closing easy.

Reports reaching from interior Sindh stated that there was heavy downpour in many cotton growing areas but any damaged to cotton crop was yet to be assessed.

The Karachi Cotton Association (KCA) left its spot rates steady at overnight level of Rs8,000 per maund.

The following deals were reported to have changed hands on the ready counter: 1,400 bales, Shahdadpur, at Rs7,700; 5,000 bales, Tando Adam, at Rs7,700 to Rs7,900; 1,200 bales, Sanghar, at Rs7,700 to Rs7,800; 1,000 bales, Mirpurkhas, at Rs7,750; 1,000 bales, Kotri, at Rs7,700; 1,200 bales, Khanewal, at Rs8,400; 400 bales, Rajanpur, at Rs8,300; 600 bales, Chichawatni, at Rs8,025 to Rs8,100; 200 bales, Mongi Bangla, at Rs8,200; and 400 bales, Kasuwal, at Rs8,025.

Source: dawn.com - Aug 28, 2019

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NATIONAL NEWS

Cabinet to soon consider India-Mauritius free trade agreement for approval

The Cabinet will soon consider the proposed India-Mauritius free trade agreement, aimed at liberalising norms to boost two-way commerce and investments, for approval, an official said.

In a free trade agreement, two trading partners cut or eliminate duties on majority of goods besides liberalising norms to promote services trade and boost investments. “The Cabinet would soon take up the agreement for its consideration. After its approval, a date would be finalised for signing of the agreement, after which it will be implemented,” the official said.

India and Mauritius have been negotiating the pact, officially dubbed as the Comprehensive Economic Cooperation and Partnership Agreement (CECPA), since 2005.

According to experts, India may not get huge benefit in goods sector as Mauritius is a small market, but services sectors such as IT and tourism hold huge potential to enhance economic ties.

Mauritius was the second top source of foreign direct investment (FDI) into India in 2018-19. India received USD 8 billion (about Rs 56,000 crore) foreign inflows from the country. The bilateral trade between the countries increased marginally to USD 1.2 billion in 2018-19 from USD 1.1 billion in 2017-18.

India exports petroleum products, pharmaceuticals, cereals, cotton and electrical machinery, apparel and clothing accessories to Mauritius. The island nation’s exports to New Delhi include iron and steel, pearls, precious/semi-precious stones and optical, photographic and precision instruments.

Source: financialexpress.com - Aug 27, 2019

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15 per cent growth in exports possible this fiscal: FIEO

With a trade war between the US and China, Indian exporters have been receiving a number of business queries

India needs to move fast when it comes to decision-making. Moreover, issues like refund of embedded taxes and legal complexities on land purchase need to be resolved in order to boost exporters' confidence.

According to Sharad Kumar Saraf, President, Federation of Indian Export Organisations (FIEO), despite trade headwinds there is scope for a 15 per cent growth in exports this fiscal. But, such a growth is possible only when the Centre can ease regulations and increased capacities can be built for increased exports to US, China and the UK.

With a trade war between the US and China, Indian exporters have been receiving a number of business queries. These are expected to materialise over a period of time. Similarly, Brexit will offer greater opportunities for Indian exporters. The Union Commerce Ministry recently identified over 200 products where India's exports could be increased to the US, replacing Chinese goods, and 150-odd items where exports to China could rise.

"Be it the trade-war between US and China, or Brexit, there is opportunities that Indian exporters should take. A 15 per cent growth in exports this fiscal is possible. But for that the Centre must step in by easing regulations and other confidence boosting measures," he told BusinessLine during an interview.

According to Saraf, the Centre has to come up with schemes that will help in allocation of land for setting up units. Regulations and legal issues relating to allocation or purchase of land should be taken care of, he said.

Source: thehindubusinessline.com - Aug 28, 2019

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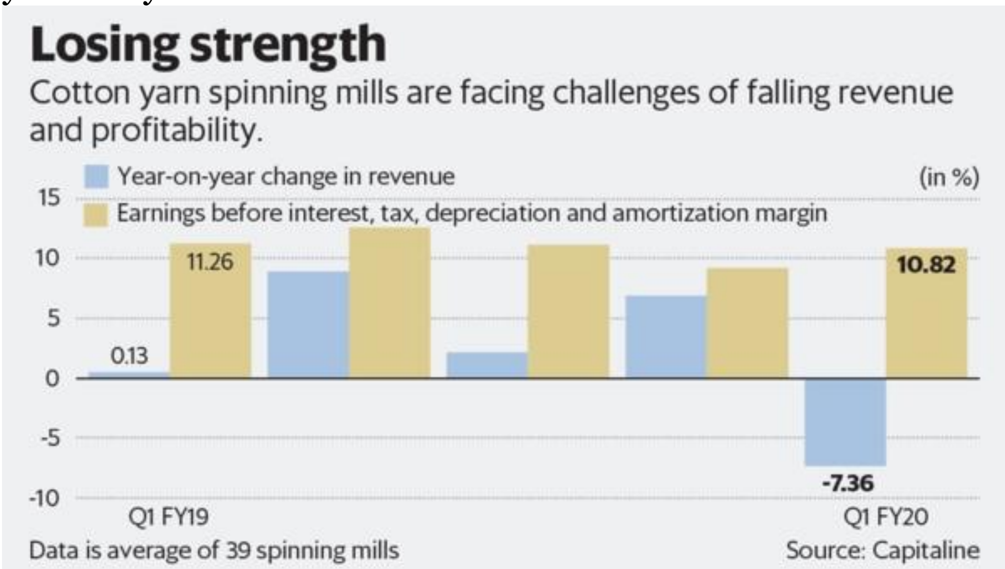
Spinning mills wedged between drop in yarn demand, high cotton prices

Looks like yarn mills are caught in a web of weakening demand and high raw material prices. For a country that exports nearly one-third of the yarn it spins, the 34.6% year-on-year drop in exports between April and June does not bode well for mills. The domestic market was not encouraging either. Although there was positive offtake in April and May, prices in June fell 4% year-on-year.



To the dismay of industry and analysts, the robust demand trend seen in the first three months of 2019 did not sustain. According to rating agency Icra Ltd, several factors explain the fall in India's cotton yarn exports.

This includes high price of cotton and yarn from Indian mills, duty-free access provided by China to Pakistan for import of yarn, continued competitive pressures from nations, such as Vietnam, and higher raw cotton fibre imports by China, which is keeping its cotton availability situation comfortable for yarn mills.

At the root of the problem is high cotton prices. International cotton price has plunged 28.3% in the past one year. In contrast, domestic prices have been firm during the period. Cotton futures have been steadily rising in the last seven trading sessions on speculation of lower output and productivity in the cotton season (2018-19).

It is not surprising that spinning mills are weighed down by high raw cotton prices. Adding to this is the impact of tight liquidity faced by small and medium mills, which make up for a major portion of installed capacity.

Data from Capitaline on 39 spinning mills shows that net revenue in the June quarter contracted by about 7.4% from the year-ago period. The average Ebitda (earnings before interest, tax, depreciation and amortization) as a percentage of sales also contracted by about 50 basis points, though many mills have been struggling.

With several global tensions persisting, especially between the two strong contenders in cotton textiles—the US and China—the outlook for India's yarn exports in FY20 looks bleak. Reports from textile associations in India suggest stock pile-ups and production cuts by spinning mills in recent months.

This may have a cascading effect on the financial health of domestic mills, more so, if the problem persists. Jayanta Roy, senior vice-president and group head (corporate sector ratings) at Icra, said: "Based on the emerging trends, we have revised the credit outlook on the Indian cotton spinning industry to 'negative,' as the profitability and debt coverage metrics are expected to moderate from the current levels. The impact is likely to be more pronounced for leveraged companies."

Given the tight liquidity scenario, a sudden change in yarn outlook is unlikely. One can only hope for a drop in domestic cotton prices with the onset of the new season. This could ease the pressure on spinning mills in the near term.

Source: livemint.com - Aug 28, 2019

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Meghalaya will be helped to develop its textile sector: Smriti Irani

Union Textile Minister Smriti Zubin Irani laid the foundation stone for Integrated Textile Tourism Development Project at Nongpoh in Ri-Bhoi district of Meghalaya. With an aim to promote the textiles and tourism, this NERTPS project will provide better livelihood opportunities to the weavers and artisans of the state.

While speaking at the program, Irani said, “The central government was committed to undertake all possible attempts of the Meghalaya government to develop the textile sector”.

Chief Minister of Meghalaya, Conrad Sangma was also present at the program of laying the foundation stone for the Integrated Textiles Tourism Complex here. While speaking at the program, Sangma Conrad said, “The integrated textiles tourism complex would benefit artisans and farmers of the state along with a boost to the tourism sector”.

Irani also added, “Under the Samarth scheme of the Ministry of Textiles, nearly 30,000 people from Meghalaya will be eligible for skill development programs. Also, for the skill development of 7,200 Meghalaya people in the textile sector, Rs 8 crore has already been sanctioned.

To help the artisans in getting benefits, the government has come up with an identity card called ‘Pehchaan’ Under the handicraft sector. Moreover, free tool kits will be provided for people coming from economically challenged backgrounds.

Source: knnindia.co.in- Aug 27, 2019

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Government of India should organize India-GRULAC business conference in Colombia: WTC Medelin & Cali chief

The Government of India should organize India-GRULAC business conference in Colombia, said Guillermo Acevedo, Executive Director, World Trade Centre (WTC) Medellin and WTC Cali highlighting the growing importance of Latin American and the Caribbean (LAC) countries have emerged as important economic partners for India.

GRULAC is a Group of Latin America and Caribbean Countries.

"In an uncertain and challenging global trade scenario, India is actively looking at diversifying its trade partners. LAC countries have emerged as important economic partners for India. Among GRULAC countries, Colombia holds key to enhance its international trade", said Acevedo, at an interactive discussion organized by WTC Mumbai.

Acevedo urged Government of India to organize an annual / biennial India-GRULAC conference to promote bilateral trade. He said fashion, apparel, wellness and healthcare, BPO and technology are some of the sectors of focus for Indian companies.

Acevedo is in Mumbai on an invitation from the Ministry of Commerce, Government of India for participation in a textile event. Two MOUs between WTC Mumbai, and WTC Medellin and WTC Cali, respectively were signed during the programme.

The three WTCs will work towards establishing science and technology parks in India and Colombia, in addition to undertaking various activities to promote bilateral trade.

Highlighting the importance of the Colombian economy, Acevedo said, "Colombia is the 31st largest economy in the world and the 4th in Latin America. It has a growing middle class and is the most ideal country in Latin America to do business with as per the 'Doing Business 2017' report. It has the lowest FDI barriers in the Latin American and Caribbean region."

Source: knnindia.co.in- Aug 27, 2019

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Cabinet may ease FDI norms in single-brand retail, insurance today

In the Budget, the government had made clear its intent to further relax FDI norms in several sectors

The government is likely to further ease foreign direct investment (FDI) norms, with the Cabinet on Wednesday expected to give its approval to relaxed norms in single-brand retail trade and insurance sectors.

In the Budget, the government had made clear its intent to further relax FDI norms in several sectors.

Earlier this year, Commerce and Industry Minister Piyush Goyal had said that the government was exploring ways to allow foreign investors in single-brand retail to meet their 30 per cent mandatory local sourcing requirement through other ways.

This includes counting the sourcing they do in India for exporters to other markets as part of the 30 per cent norm, apart from the goods they sell in their stores in the country. Currently, 100 per cent investment is allowed in the sector under the automatic route.

But the current rules stipulate that products should be sold under the same brand internationally, meaning products should be sold under the same brand in one or more countries other than India. Single-brand product retail trading also only covers products branded during manufacturing.

The procurement requirement has been opposed by major foreign retailers. Apart from the easier norms, the Department for Promotion of Industry and Internal Trade, the nodal body for investment-related policy, may also now count local sourcing in phases. For instance, it may be counted as an average of five years, the total value of the goods purchased, after which, it needs to be met on an annual basis, persons in the know said.

In the Budget, Finance Minister Nirmala Sitharaman had also signalled that FDI reforms in aviation as well as multimedia sectors like animation, gaming, digital media, and information utilities, may be taken up.

Sources say the insurance sector could be opened up to 74 per cent FDI under the approval route to bring parity with the banking sector, according to proposals under consideration. However, officials say the current 49 per cent foreign investment limit through the automatic route in insurance is likely to be maintained.

For insurance intermediaries like brokers, insurance repositories, and third-party administrators, 100 per cent FDI may be permitted.

Announcements in the contract manufacturing sector are also expected. In the existing foreign investment policy, 100 per cent FDI is permitted in the manufacturing sector under the automatic route. A manufacturer is also allowed to sell products manufactured in India through wholesale and retail channels, including through e-commerce, without the government's approval.

But the current policy does not talk about contract manufacturing separately and the lack of a clear definition in the current policy is an area the government is aiming to rectify, sources said.

This comes in the wake of FDI equity inflows declining for the first time in six years in 2018-19, down 1 per cent to $44.4 billion, from $44.8 billion in the previous fiscal year.

Source: business-standard.com- Aug 28, 2019

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How MSMEs may create more jobs: FICCI suggests govt ways to grow small businesses

In order to boost job creation in India's micro, small and medium enterprise (MSME) sector — the second largest employer in India after agriculture, there is a need to adopt a cluster development approach by the government, according to economists.

"Smaller enterprises working in a cluster will develop economies of scale and become cost-efficient, thereby improving their productivity and competitiveness," industry body FICCI said in its latest economic outlook survey among economists, since "a majority of employment opportunities are created by SME."

The survey, which pegged India's potential GDP growth rate for FY20 settling at the higher end at about 7.5 per cent, stressed on strengthening MSMEs to be among the key areas that require urgent attention. The other areas of focus, according to surveyed economists, are boosting agriculture, undertaking factor market reforms, and improving avenues for infrastructure financing.

Developing clusters gain significance as MSMEs are expected to generate around 1 crore jobs in the coming four-five years, as per a report by Nomura Research Institute.

Moreover, strengthening MSMEs in clusters of artificial Jewellery, sports goods, scientific instruments, metal utensils, machine equipment like textile machinery, electric fans, rubber, plastic, leather & related products, bicycle parts and auto components, textile, wood, paper, food, minerals etc. can create an additional 75 lakh – 1 crore jobs in the next four-five years through partial substitution of imports.

Economists highlighted the need for the government to ensure "strong and stable policies" to help Indian SMEs integrate with global value chains.

The industry body had earlier suggested setting up of "an exclusive Export Facilitation Centre for MSMEs" to boost their exports. Also, economists sought expansion of technology and incubation centres for MSMEs across India.

Further, to boost employment in the manufacturing and services sector, economists identified easing or reducing the cost of doing business and regulatory reforms for businesses along with labour reforms and sector-specific special packages.

Employment generation by MSMEs over the past four years grew 13.9 per cent, according to a CII survey, wherein micro-businesses created the highest number of jobs are likely to continue to be on top in the next three years.

The net job additions in four years among more than 1 lakh MSMEs stood at 3,32,394 — a 3.3 per cent increase per annum in these four years.

Source: financialexpress.com- Aug 27, 2019

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