



IBTEX No. 22 of 2020

January 29, 2020

US 71.21 | EUR 78.43 | GBP 92.72 | JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
18900	39500	70.60
Domestic Futures Price (Ex. Warehouse Rajkot), January		
Rs./Bale	Rs./Candy	USD Cent/lb
19130	39982	71.46
International Futures Price		
NY ICE USD Cents/lb (March 2020)		69.44
ZCE Cotton: Yuan/MT (May 2020)		13,515
ZCE Cotton: USD Cents/lb		88.30
Cotlook A Index – Physical		78.55
<p>Cotton Guide- It is everywhere in the news. Corona Virus has hit the people and the Markets.</p> <p>Markets have responded negatively to the news of Coronavirus spreading throughout China. For Cotton both ICE and MCX have taken a big beating. 68 cents per pound was considered to be the support point but yesterday the prices this figure with ease [ICE March 2020]. The ICE March contract after having a bandwidth of 200 points settled neutral yesterday. The other contracts especially the May and the July contract however settled negative at 69.94 cents per pound and 70.68 cents per pound with changes of -26 and -44 points respectively. Volumes were twofold at 56,611 contracts.</p>		

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Another reason why the markets were moving downwards is the increase in awareness about Bangladeshi and Chinese Mills making a switch to Man-made fibres from Cotton. While news about Higher Brazilian sowing figures has strengthened the bears.

The MCX contracts on the other hand were negative. A drastic change was witnessed showing figures of more than -250 points. The MCX January contract settled at 19,130 Rs per Bale with a change of -250 points. The MCX February contract settled at 19,420 Rs per Bale with a change of -260 Rs. The MCX March contract settled at 19,680 Rs per Bale with a change of -270 Rs. Volumes were the highest for 2020 at 5216 lots. Usually this figure is between 600 lots to 1500 lots. That means the Volumes were seen higher by 250%. The market has taken a huge bearish turn.

The cotlook index A has been updated at 78.55 cents per pound with a change of -50 points. On the other hand, the prices of Shankar 6 are updated at 39,500 Rs per Candy.

On the fundamental front, it is advised to wait for further news on Demand of China. Fundamentally speaking, there are equal factors showing lesser demand and lesser supply [with expected decreased sowing in the Northern Hemisphere]. For now, we would give a sideways call with a bearish bias for the week.

On the technical front, in daily chart, ICE Cotton March is once again tested & retraced from the support of 50% Fibonacci retracement level around 68.50, while trading within an upward sloping channel (green channel). Meanwhile price is below the 5 & 9 day EMA at 69.74, 69.93 with a bearish crossover acting as an immediate resistance for the price, along with RSI at 50 suggesting a phase of sideways bias in the market.

However, the immediate support for the price would be 68.44, followed by 67.30 which are the 50% & 38.2% Fibonacci retracement level resp, along with the lower end of the channel. Thus for the day we expect price to hold the range of 68.40-70.30 with a sideways bias. In MCX Jan Cotton, we expect the price to trade within the range of 18930-19400 with a sideways bias.

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INTERNATIONAL NEWS

Growing Chinese investment in Ethiopia acknowledgment of enduring ties

Chinese investors ever-growing engagement across Ethiopia's industrial parks is a manifestation of the undeniable and enduring economic and trade relations between the two countries, a high ranking Ethiopian official said on Monday.

“A large number of Chinese firms’ investment in various industrial parks in Ethiopia could be seen as an acknowledgment of the two nations’ strong and sustained bilateral relationship,” Temesgen Tilahun, deputy chief of the Ethiopian Investment Commission (EIC) said in an exclusive interview with Xinhua on Tuesday.

Noting China’s “strong business presence in Ethiopia” across various investment sectors mainly in the infrastructure development, manufacturing as well as the textile industry, the Deputy Commissioner affirmed that “it is not surprising that more Chinese investors are participating in several numbers Ethiopia’s industrial parks. Chinese investors are not coming here for short term benefit; instead, they start business aiming at a durable national objective.”

Tilahun further stressed the importance of utilizing the ever-expanding investment opportunity from Chinese investors so as to meet the East African country’s economic development aspirations.

In recent years, the Ethiopian government has attached great importance to cooperation with Chinese firms in various fields, including the construction of industrial parks along with giant Chinese companies investing in various industrial hubs, majority of which were built by Chinese experts and technologies.

The official also noted that considering contemporary Chinese global influence, the East African country could tap into the Chinese-proposed Belt and Road Initiative (BRI), as well as other initiatives for its own development.

Tilahun further stressed that Ethiopia — Africa’s second populous nation with an estimated 109 million total population, is yet to fully harness its potential to further attracting Chinese investment.

“My assumption is, Ethiopia is lagging from exploiting and using Chinese well-rounded development opportunities given our potential, resources, population and geographic location,” said Tilahun.

Source: newsghana.com.gh- Jan 28, 2020

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ICAC combines three reports into one 'Cotton Data Book'

First time, International Cotton Advisory Committee (ICAC) has compiled its three reports into one massive resource 'The 2020 Cotton Data Book'. For last 30 years, ICAC has been publishing three triennial reports: 'Cotton Production Practices', 'Cost of Production of Raw Cotton' and 'Structure of Cotton Research, Input Supply & Transfer of Technology'.

The 224-page digital book called, 'The 2020 Cotton Data Book' provides detailed data on the cotton industries of the top 38 countries and features more than 40 charts, tables and graphs to help illustrate the information.

Given the industry's urgent need for up-to-date cotton data and statistics, the ICAC decided not only to combine the reports but to publish the information every year rather than once every three years. The Cotton Data Book will be released annually during the ICAC plenary meeting.

"In this Internet age of rapid information sourcing, there is a great hunger for numbers - and data reports get outdated pretty fast," Dr Keshav Kranthi, head of the ICAC's technical information section and primary author of the publication, said. "This is the main reason why the ICAC decided to merge all three triennial reports into one annual report."

The new digital publication will not only provide more timely information but also offer significant cost savings.

Formed in 1939, the ICAC is an association of cotton producing, consuming and trading countries. It acts as a catalyst for change by helping member countries maintain a healthy world cotton economy; provides transparency to the world cotton market by serving as a clearinghouse for technical information on cotton production; and serves as a forum for discussing cotton issues of international significance.

Source: fibre2fashion.com- Jan 28, 2020

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Sharp rise in global trade of carded wool woven fabrics

The global trade value of woven fabrics of carded wool (or of carded fine animal hair) has shown a sharp rise in 2018. Total trade moved up by 7.98 per cent in 2018 over the previous year, according to data from TexPro. The global trade of woven fabrics of carded wool was \$2,074.47 million in 2017, which triggered to \$2,239.94 million in 2018.

The total trade of woven fabrics of carded wool is anticipated to boost to \$2,433.17 million in 2021 with a CAGR of 2.80 per cent from 2018, according to Fibre2Fashion's market analysis tool TexPro.

The global export of woven fabrics of carded wool was \$1,255.29 million in 2016, which was increased by 2.98 per cent to \$1,292.74 million in 2018. Total exports increased by 8.61 per cent in 2018 over the previous year and is expected to reach \$1,351.03 million in 2021 with a CAGR of 1.48 per cent from 2018.

The global import of woven fabrics of carded wool was \$866.72 million in 2016, which was climbed up by 9.29 per cent to \$947.20 million in 2018. Total imports moved up by 7.12 per cent in 2018 over the previous year and is expected to upswing with CAGR of 4.54 per cent to \$1,082.14 million in 2021 from 2018.

Italy (\$502.49 million), China (\$290.31 million), UK (\$107.59 million) and Japan (\$71.59 million) were the key exporters of woven fabrics of carded wool across the globe in 2018, together comprising 75.19 per cent of total export. These were followed by Germany (\$43.58 million), Spain (\$42.33 million), Denmark (\$36.00 million) and France (\$23.29 million).

From 2013 to 2018, the most notable rate of growth in terms of export, amongst the main exporting countries, was attained by China (55.16 per cent) and Japan (19.86 per cent).

China (\$95.97 million), Romania (\$63.25 million), France (\$62.58 million) and Morocco (\$53.07 million) were the key importers of woven fabrics of carded wool across the globe in 2018, together comprising 29.02 per cent of total import. These were followed by the Spain (\$46.80 million), Germany (\$45.59 million), South Korea (\$45.23 million) and US (\$36.57 million).

From 2013 to 2018, the most notable rate of growth in terms of import, amongst the main importing countries, was attained by Morocco (119.56 per cent), Romania (17.53 per cent) and China (11.23 per cent).

Source: fibre2fashion.com- Jan 28, 2020

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Textile Buyers Still Don't Prioritize Sustainability Over Price

Sustainability commanded the largest share of conversations at the recent Heimtextil tradeshow in Frankfurt, but chatter among mills and manufacturers highlighted a lingering problem: buyers still overwhelmingly prioritize price over eco efforts.

While consumers grow more interested in sustainability, brands and retailers are simultaneously facing cost pressures and waning interest in spending for the sake of it—and the divergent shifts haven't quite created an environment where buyers are forking over extra dollars to go green. And that means manufacturers may not see payments for their investments into the environment.

“Buyers are more interested in design, good looks and the price, because, for them, selling is the main task,” said Rohit Kella of Shree India, which manufactures block-print textiles and home goods made from recycled saris. “They want lower price products...because they keep low prices in the stores, everything is transparent and everything is online, so it affects us.”

If it's not price, designers are still hesitant to adopt more sustainable materials, in some cases, because of the limitations in performance compared to what they'd be guaranteed when using virgin inputs.

India's Atlas Export Enterprises, which specializes in yarn-dyed cushions and pillow covers made from materials like recycled polyester and recycled cotton, indicated that buyers walking the trade show earlier this month were mostly interested in "good designs" but "with less price."

What's more, the company's managing director N. Senthil Prasath said, "Mainly we are focused on recycled. They are most interested in this but they are afraid of the colors because colors are a limitation with this."

And even amid embracing more recycled materials over virgin, color challenges aside, the company is lowering its prices even though its input investment is increasing. "Because of competition with places like Bangladesh, we are pushing to reduce the price," Prasath said.

Needless to say, it has been slow going to get buyers to put their money where their sustainability demands are—though they'll have to start making the move to do so soon.

"Brands are already seeing that the consumers are questioning where the product is coming from," said Andreas Dorner, commercial director for Europe and Americas textiles at the Lenzing Group. "They are asking where the products are coming from and...we see that the manufacturers, they are interested to offer this to consumers in Europe."

In the U.S., where sustainability uptake has lagged Europe, some hubs, like New York and California are starting to catch up and lead the industry, but many brands across the country still aren't spending more for sustainability.

"If they have an environmentally friendly alternative, they are interested. If it is cost neutral, everybody will take it," Dorner said. "It's not the mass who change...but for brands and retailers who really want to offer an environmental collection on the premium side, they will pay."

Source: sourcingjournal.com- Jan 28, 2020

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Indonesia garment exports down three per cent

Indonesia's garment exports for the 10 month period until October 2019 decreased 3.6 per cent. The three biggest destinations for Indonesian garment exports are the United States, Japan and Germany. Until October 2019, the Indonesian garment market share in the US market fell from 4.6 per cent in ten months of 2018 to 4.4 per cent in ten months of 2019.

Growth in the textile industry and textile products in the third quarter of 2019 increased to 15.08 per cent. This achievement is much higher than the achievement in the same period in 2018, which is 10.08 per cent.

The increase in textile industry growth in the third quarter was due to increased domestic demand. But the decline in Indonesian garment exports causes minimal production growth so that company revenues are reduced.

The textile industry is one of the five manufacturing sectors that are being prioritized for development as a pioneer sector within the framework of Industry 4.0. By 2030, Indonesia's textile industry is expected to be one of the five largest textile producers in the world. The industrial structure has been integrated from upstream to downstream. Encouragement is being given to exports of textile products.

Source: sourcingjournal.com- Jan 28, 2020

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Bangladesh: Apparel export - cash incentive not a big facilitator

The recent announcement of additional cash incentive for the export-oriented readymade garment (RMG) sector did not see much enthusiasm among the industry people. On the government's part, the move was taken to provide some relief to the exporters who are now having a difficult time exporting even to the traditional markets.

According to news reports, garment and textile exports from Bangladesh will receive 1.0 per cent special incentive on their shipment to all markets. This came in line with the cash support that the government had earlier announced in the current year's budget. The incentive is to take effect

retrospectively from July 1 last year. The scope of the incentive has been expanded to include terry towel and specialised textiles. Announcing the decision, the finance minister said, "The government brought in more sectors under the scheme as the garment and textile sectors have been going through a difficult time."

There were many occasions in the past, not just in respect of the RMG, when the government did dish out funds as cash incentive to exporters to help them ride out their difficulties. Such moves when taken at the right time fetched good results. But what about the recent move mentioned above? Is it going to help the exporters to remain competitive?

The answer, probably, is 'No'. Industry insiders say the move has come too late when Bangladesh's competitiveness in the global market has largely eroded thanks to aggressive marketing drive by mainly India and Vietnam. They also say that since the government is giving the benefit retrospectively from July 1, 2019, it would have made sense had it been made effective six months ago. The BGMEA chief, however, is not too critical like many of her colleagues in the industry. "It will help but it won't be sufficient as it won't have an immediate impact", she said.

For the past several months, garment export from Bangladesh has been on a declining trend. According to Export Promotion Bureau (EPB) data, in the past six months apparel shipments decreased by 6.21 per cent. Identifying any particular reason may be misleading for the slump, though it is clearly the fallout of global unrest for around a couple of years.

The unrest may be found responsible for lack of opportunities for enough innovative moves for Bangladesh to penetrate deeper in global markets with decisive plans as regards product diversification and value-added manufacturing.

It is undeniable that despite the growth of RMG exports over the decades, value addition, at present, is in a state of stagnation hovering around 75 per cent. In this context, we must not forget that exports have been growing every year, though not at the same pace. This growth in exports does not make the case of value addition simplistic as many quarters in the country may tend to consider it so.

As for the slump in exports, slight though, there is a general observation that it is a reflection of the declining demand for apparel products in global market, especially in the EU markets. The country's overall exports grew by 1.16 per cent to US\$ 34.65 billion in the past fiscal year-with knitwear registering 3.0 per cent growth while woven products experienced decline by 2.36 per cent.

Over and above, falling prices of exported apparel products may also be attributed to the decline. Industry insiders inform that throughout the last fiscal, prices have been falling. As a result, although the volume of exports increased, it didn't get reflected in the export earnings.

There are quarters within the country who believe that value addition in Bangladesh's RMG sector has almost reached the optimal level given the production and export of low-end products.

This, no doubt, is an improper way of looking at the industry and its projected growth. True, export of cheap and low-end products has impeded the desired rise in value addition. But this is only a current albeit temporary reality.

Experts, including overseas buyers, are of the view that automation and skilled workforce constitute the key to capitalising on RMG export at the moment. Industry insiders opine that automation is a big challenge. Fast adoption of automation and exploration of marketing avenues alongside meeting shortages of skilled mid-level manpower are recognisably the biggest challenge facing the apparel sector.

Automation obviously is highly dependent on a large pool of trained and skilled human resource. Some progress has taken place but these stray efforts need to be integrated for the industry to be able to keep pace or even go beyond the capacity of the competitors.

Source: thefinancialexpress.com.bd- Jan 28, 2020

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Pakistan reaches out to Africa for economic relations: Pakistani official

Pakistani Foreign Minister Shah Mahmood Qureshi has left for Kenya on Tuesday as part of the country's initiative to boost economic relations with African countries.

Qureshi said on Tuesday that the first-ever "Pakistan-Africa Trade Development Conference" which is part of Pakistan's "Engage Africa" initiative, hosted jointly by the Pakistani ministries of commerce and foreign affairs, will be held in Nairobi on Jan. 30-31.

Apart from Kenyan cabinet members, dignitaries from other African countries and Pakistani envoys in Africa, the conference will be attended by a strong contingent of business-people and entrepreneurs from Pakistan, who will interact with their African counterparts, according to a foreign ministry statement.

The statement said the conference will be an important opportunity for Pakistani and African businesses to interface, identify the areas for enhanced engagement, and develop proposals for customized economic collaboration.

Abdul Razak Dawood, advisor to Pakistani prime minister on commerce, textile, industry and production, and investment, will lead a 100-member delegation of businessmen to take part in the conference, Qureshi said in a video message released by his office.

Source: china.org.cn- Jan 28, 2020

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NATIONAL NEWS

Ahead of Trump visit: India and US set to finalise \$10-billion trade deal in February

The deal will be signed during Trump's visit to India, and is a precursor to a FTA between the two nations.

India and the US are likely to finalise a mega trade deal pegged above \$10 billion (more than Rs 71,000 crore) next month when United States Trade Representative (USTR) Robert Lighthizer visits New Delhi.



Final Lap

USTR Robert Lighthizer to visit India in Feb to finalise trade deal

Trade deal precursor to FTA planned for long term

Deal to be announced during Trump's visit

India has sought GSP benefits restoration, market access



Robert Lighthizer | Piyush Goyal

DETAILS THRASHED OUT

Deal's legal vetting underway

Meetings took place in Davos last week

US admin officials visited Delhi from Jan 24-26

The deal, whose legal vetting is underway, will be signed during US President Donald Trump's visit to India, and is a precursor to a free trade agreement between the two nations, officials in the know of the plans said.

Lighthizer and commerce and industry minister Piyush Goyal are likely to meet in the second week of February to finalise the terms of the deal. Trump is expected to be in India during February 24-25, his first visit here as head of state.

There were meetings on the planned deal in Davos during the World Economic Forum. A six-member team from the US administration was in Delhi over the weekend, meeting Goyal and the relevant line ministries to discuss the contours of the proposed pact.

Goyal had met Lighthizer in the US last year.

'Medical Devices Issue Resolved'

"It is a fairly large deal," said an official aware of the details. The issue of medical devices, which was a key obstacle in the trade talks between the two countries, is resolved, the official added.

India and the US have been entangled in a series of trade spats across various sectors. The deal could touch upon Washington's demand of doing away with duty on American information and communication technology goods along with market access for its dairy products and duty cuts on Harley-Davidson motorcycles. The US is also keen to sell more almonds to India. New Delhi, on the other hand, had sought market access to its fruits including grapes.

"We expect the full deal to be signed this time and the longer-term idea is an FTA," the official added.

India also wants restoration of benefits under the Generalized System of Preferences (GSP).

Under the GSP, certain products can enter the American market duty-free if the beneficiary developing country meets the eligibility criteria established by US Congress. The benefits to India were withdrawn from June 5, 2019, after the US dairy and medical devices industries alleged that Indian trade barriers affected their exports.

In 2018, India exported goods worth \$6.3 billion (as per USTR figures) to the US under the GSP, accounting for around 12.1% of India's total export to the US.

The average duty concession accruing on account of GSP was almost \$240 million in 2018. "We want GSP as it spreads across sectors, from textiles to agriculture, and we want access for our goods in the American market," the official said.

Goyal had earlier told ET that any imported product which had got animal feed into the food chain was a redline for India if it was not properly marketed as a non-vegetarian, because of the religious sensitivities around it. Opening up access to certain agricultural products where India is self-sufficient and wants to protect the farming community is another such issue, the minister had said.

"There are always certain issues where one takes extra precautions and ensures that it doesn't affect the Indian ecosystem, but usually in a trade deal, there are no complete no-nos. One can always work around and find sustainable solutions which can be acceptable to all parties," he had said.

Lighthizer is coming first to close the deal and he will come again with Trump to announce it, officials said.

The two sides have been engaged in talks to iron out the differences which began in 2018, when the US levied global additional tariffs of 25% and 10% on the import of steel and aluminium products, respectively. India responded by levying retaliatory tariffs on 28 products originating or exported from the US with effect from June 16, 2019, for which Washington dragged it to the World Trade Organization.

India's exports to the US in the April-November period of fiscal 2020 totalled \$35.6 billion, compared with imports of \$25.1 billion. In the whole of fiscal 2018-19, exports were \$52.4 billion and imports, \$35.5 billion.

Source: economictimes.com- Jan 29, 2020

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Tale of two sectors: Making India a global hub for chemicals and textiles

The road to \$5-trillion economy needs efforts at promoting ease of doing business to attract more investments. The upcoming Budget is an opportunity to undertake industry-specific initiatives rather than announcing a single big-bang reform and expecting a positive cascading effect on all sectors.

New areas have to be identified and targeted changes instituted to boost GDP from \$3 trillion at present to the targeted \$5 trillion. Chemicals and textiles are two industries where a positive budgetary intervention will deliver considerable dividends to the economy.

FM Nirmala Sitharaman should take initiatives to make India the global hub for chemicals and textiles manufacturing sector. India's share in the global chemicals industry is 2%, and there are opportunities for companies to grow, given the right support.

Cheap imports from Turkey, the US and China for products such as soda ash stress the industry and the government may raise import duty from 7.5% to 15% to restrict imports and boost Make in India.

FTAs need to be done with care and deter dumping of cheap goods into India. Chemicals is a heavy capital-expenditure industry and would welcome some capital expenditure-based incentives to facilitate fresh investments for capacity enhancement. Likewise, textiles is one of the oldest sectors, which adds much economic value, both in the form of a 2% contribution to GDP as well as generating employment. It accounts for 7% of the total industry output in the country and adds much stimulus to imports. Thus, it works well for the government to ensure stable growth of the sector.

Cut in import duties on sustainable fibres will ensure an array of eco-friendly textiles that will attract environmentally-conscious consumers. Investments are needed towards developing skills of the existing workforce and updating curricula of textile institutes so that the skill sets of the employable youth stay relevant.

Given that both short-term and long-term measures are needed, it is essential that in addressing short-term challenges the larger goals are not compromised. The Union Budget is a capable instrument that can sustain long-term goals while effectively addressing short-term challenges.

Source: financialexpress.com- Jan 29, 2020

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India blames external forces for exports mess but problem is internal. Budget 2020 can help

Amid India's worsening economic slowdown caused primarily by sluggish domestic demand for goods and services, exports could support economic growth. However, India's exports in US dollar value terms have declined in six out of nine months in the current financial year, with December 2019 being the fifth straight month of contraction.

Yet, sluggish exports are not getting the attention they deserve, neither in mainstream media nor among the policymakers despite an ambitious target of US \$1 trillion in goods and services export by 2024-25. Contrary to widespread belief, a series of bad regulations and internal mismanagement – and not really exogenous factors – have worsened India's exports crisis.

The upcoming Union Budget 2020-21, therefore, provides the Narendra Modi government the right opportunity to junk its raw material protectionism, end inverted duties, and ensure tax neutrality in textile fibres that have been hampering manufacturing exports – something that the government didn't do in its previous Budgets despite the demand from several quarters of India Inc.

Instead, the Modi government raised import duties on major industrial inputs such as ferrous and non-ferrous metals (steel and aluminium), parts and components for automobiles, camera, television and smartphones. To make matters worse, it has pulled out from the Regional Comprehensive Economic Partnership (RCEP) – whose 15 countries account for 20 per cent of India's merchandise exports, according to official data – and has been dragging its feet on a free trade deal with the European Union (which accounts for another 17 per cent) that could provide new opportunities to push exports.

The sluggishness in India's exports is not a recent phenomenon. Our merchandise exports have been hovering around US \$300 billion. It was US \$305 billion in FY 2011-12 and US \$330 billion in FY 2018-19, even though the country's GDP has gone up by over 60% from US \$1.8 trillion to US \$2.9 trillion during this period. The goods export has grown at a CAGR of 1.13 per cent between 2011-12 and 2018-19, and the prospects remain bleak in the current financial year, which is expected to post negative growth.

Not all on external forces

The Modi government has been hinting that global headwinds are behind sluggish exports, and not without reason. The EU is struggling with Brexit-related uncertainties and slowing growth in its larger economies such as Germany and France. The Middle East, another major exports destination for Indian merchandise, is troubled by its over-reliance on oil and gas, and regional political disturbances. Supply chains are now sourcing more locally than before. That is bound to affect India's exports. Increasing trade protectionism, especially in the US, is creating further complications for India.

However, it seems we are giving too much credit to unfavourable external factors for our exports mess. India's share in global merchandise export is so low (1.7 per cent) that it should be able to increase its share irrespective of

external conditions. Given this backdrop, it would be interesting to analyse what's been holding up India's exports for long.

Narrow basket

The most important factor responsible for India's exports stagnation is a narrow export basket. Not more than 20 product groups out of 99 account for 80 per cent of the total exports. We are targeting a smaller global exports pie (20 per cent, even as the balance remains largely untapped) and a narrow set of time-tested low-risk markets in Europe, North America, South East and West Asia.

Even within Europe, the EU accounts for 90 per cent of India's total exports to the region – something similar to the US in North America. However, the whole of Latin America, Commonwealth of Independent States (CIS) and Baltic states together account for less than 5 per cent of India's total merchandise exports. That's why the country's total exports remains so low compared to the GDP.

To make matters worse, barring automobiles and a few other items, most of India's exports are a commodity in nature, that is, undifferentiated products with no brand or pricing power. Thus, a woollen suit that retails for US \$2,000-2,500 in New York or Tokyo doesn't fetch more than US \$200-250 for its Indian exporter.

Just like IT and BPO services, most of India's goods exports such as apparels or leather goods survive on exploiting labour cost arbitrage. No wonder India is losing to countries such as Bangladesh and Ethiopia, which not only have a competitive edge over labour cost but also have preferential access to top consuming markets such as Europe and North America.

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Source: theprint.in - Jan 28, 2020

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Soyabean, cotton prices tumble on fears of coronavirus spreading

The spread of coronavirus in China has an unlikely affect in India's commodity markets, with the prices of both soyabean and cotton correcting sharply in the last few days.

As import prospects of China dim due to the spread of the virus, market analysts feel this will have affect the markets.

Since it was reported in the Chinese city of Wuhan, coronavirus has spread in mainland China, with fears being expressed of it spreading across the globe. The World Health Organization has reported around 3,000 suspected cases and 100 deaths due to the virus. The Chinese government has launched an all-out effort to control the spread.

The spread of the virus has affected the financial markets across the globe with crude oil and agri commodities feeling the pinch. Prospects of less imports by China, market analysts say has brought about the chills in the financial markets.

Soyabean prices have seen a sharp correction globally, given the fact that China is the largest importer of the oilseed. In 2018-19 the country imported 86.74 million tonnes (mt) of the oilseed.

While India does not figure in the list of importers to China, the country's soyabean prices have been affected. At Latur's wholesale market, which is the largest oilseed and pulses market in the country, the average traded price of the oilseed corrected by over Rs 200 per quintal in the last seven days. As against the Rs 4,200 per quintal prices, the oil seed was trading, the present price of soyabean in the market is around Rs 4,000 per quintal.

This price drop, Ashok Bhutada, proprietor of Kriti Group- a Latur based oil extractor and solvent manufacturer who markets edible oils under the brand name of Kirti Gold, said was mostly due to uncertainty over oil imports by China. "With the coronavirus spreading in China, imports of palm oil from Malaysia will be hit. This has caused a sharp correction in the world oil markets with wholesale price of most oil dropping by 10 per cent. The effects of the same are seen in prices of soyabean also," he said. Also the Indian government's see saw in term of import duty on edible oils has affected this.

Like soyabean, prices of cotton have also seen a sharp correction since the last 15 days which traders attribute as a fall out of the spread of the virus.

Source: indianexpress.com - Jan 28, 2020

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“Investment in large scale facilities, new technologies and manufacturing excellence is the way forward for Indian textile industry”

Global textile and apparel industry is going through disruptive times. Buyers are looking to diversify beyond China and opening opportunities for other countries. However, China is still disrupting the global value chain and investing in emerging manufacturing destinations like Vietnam, Bangladesh, Ethiopia etc. on a large scale and also building smart factories that will give them a competitive advantage. In order to compete globally and win in the disruptive times, India needs to adopt manufacturing excellence and service orientation,” as per a FICCI – Wazir Advisors Textile industry report on ‘Winning in Disruptive Times’ released at FICCI TAG 2020 annual seminar in Mumbai.

“India comprises a large fragmented industry and hence it is important for large anchor players to engage with smaller players and integrate the supply chain for bringing efficiencies. Further Indian companies need to adopt latest technologies and build smart factories that are digitally enabled with the value chain.

Skilling of middle and top management is also important so that they are geared to follow best practices and build efficient and service oriented business. Indian domestic market is also growing and needs to be serviced with agility,” said Prashant Agarwal, Co-Founder and Joint MD, Wazir Advisors while giving a presentation on the report.

Report also stressed upon Government’s policy intervention to help in neutralizing cost disadvantage with global competitors and also help build infrastructure to produce large scale manufacturing zones with focus on manufacturing excellence and sustainability.

Indian industry has become cautious in investing due to global disruptions. We need to have better risk taking capabilities and ability to speedily align with emerging mega trends to remain in the business opined a panel of CEOs during the conference.

RD Udeshi, President – Polyester Chain, Reliance Industries Ltd stressed upon the product delivery time and quality and finishing of product as per the international standard to remain competitive in the global market and companies should focus on value addition and skill development. He also said that Indian textile industry can have advantage over its competitors like China, Bangladesh, and Vietnam etc with the manufacturing excellence and scale of the factories.

Rahul Mehta, Managing Director, Creative Garments Pvt Ltd was of the opinion that Indian companies should stop being scared of scaling up and start manufacturing clothes closer to the place of raw material and cheaper labour instead of being close to the place of market.

Agility, speed and transparency is the key to win in disruptive times said Rajendra K. Rewari, Executive Director and CEO, Morarjee Textiles Ltd. He also said that we should bring young talent in the business in this disruptive time and to attract this talent we have to change the system of our business and make our industry more remunerative.

Earlier in the opening session, Sanjay Katkar, Deputy CEO, MIDC shared opportunities for Textile Industry in Maharashtra and SP Verma, Joint Textile Commissioner, Ministry of Textile; Govt. of India said that Indian companies should integrate market intelligence and IT in their processes more efficiently and utilize Textile Centre of Excellence to its full capacity.

The theme of the TAG 2020 conference is very contemporary. In these disruptive times it's important that the industry experts discuss the issues and challenges and seek possible solutions to overcome those.

TAG conference offered an excellent platform for giving a clear roadmap in that perspective said GV Aras, Director, ATE Enterprises Ltd during a panel discussion.

With innovation, technology, versatile fibre availability and ample manpower resources, India should aim to be superior quality producer in the

world said Anil Nair, President, Shubhalakshmi Polyester Ltd during a panel discussion.

Vikas Sharan, Director, India Operations, Saurer Textile Solutions Pvt Ltd applauded the TAG 2020 conference and said that relevant topics on surviving through disruptive times, sustainability, size and scale of business, investments and interventions for winning the global race, were deliberated by industry's stakeholders with active participation by the audience.

Source: indiaretailing.com - Jan 28, 2020

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SIMA outlines concerns of textile industry, elaborates on budget expectations

With union budget all set to be presented in Parliament later this week, South India Mills Association (SIMA) on Tuesday expressed concern over the challenges being faced by the textile industry while elaborating on their expectations with the annual budget.

Speaking to ANI Selvaraj, General Secretary of SIMA said, "Textile industry has been struggling for the last four years, mainly because of the global recession. And which got aggravated because of the US-China trade war. Under these conditions, our export has also suffered."

He also claimed that imports have been affecting the domestic market and hence export incentive schemes should be implemented.

"The huge amount of ready-made garments are being imported which is affecting our domestic market," Selvaraj said.

"Similarly, this yarn import has been affecting the spinning segment especially 100 per cent polyester yarn," he added.

Outlining the vision for the growth of the textile industry, he said, "The textile ministry is in process of formulating new textile policy with the vision of taking this industry to 350 billion US dollar by 2025 and 650 billion US dollar by 2030."

Speaking about his expectations with this year's union budget, Selvaraj said that there are two issues- raw material issue and tax barrier issues that need to be addressed.

"We have been talking about Free trade Agreement (FTA) but now we have requested the government to expedite conclusion of FTA, at least, with Britain, EU and the US so that we also get some opportunities," he added.

Speaking on the policies he said, "Vajpayee government brought two policies, technology up-gradation fund scheme and technology mission on cotton. These two schemes are lifelines for our industries which fuels the growth of the textile and cloth industry."

"The government spent about 30 crores for subsidies and another 18 thousand crores were allotted by Prime Minister, therefore, we are technologically fine in the global market", he added.

He also stated that cotton was the engine of growth for textile industry and technology mission on cotton helped increase the production and now there was a need for new technology to boost the sector.

"We have prepared a detailed report and submitted to Prime Minister and requested to come out with technology mission on cotton in a revised format with a focus on technology, transfer of technology, clean cotton branding Indian cotton and cotton textile products," he added.

He said that the textile ministry has come up with a 'Nirmal cotton mission' which is about clean cotton and branding of Indian cotton. Selvaraj also said that productivity can be enhanced multiple times, if adequate funds are allocated.

"We have the potential to increase our productivity at least 1000 kg per hectars if not 1500 kg per hectar which other countries are easily achieving. We have requested the government to allocate adequate funds, bring back technology mission on cotton and adopt the best global practices as the seeds we are producing will not meet the demand for the next ten years," he said.

He also urged the government to provide the necessary infrastructure for the farmers during the transition period.

Source: in.news.yahoo.com- Jan 28, 2020

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Fear and loathing in India's small factories

As P. Murugan walked towards his factory one last time, the mood was distinctly sombre and he wouldn't utter a single word. The factory, Priya Precision Tools, lay nestled in the industrial heart of the southern Indian city of Coimbatore.

On either side of the small approach lane that led towards the factory, machines squeaked and metal clanked from within a handful of micro industries. An unusually high number of them, however, were silent—just like Murugan. As the rest of India awaits an important Union budget, Murugan was busy shutting down a factory that he had run for 22 years.

On his final visit to the factory floor, he helped lift one of the last big machines that was lying around—a heavy-duty lathe that costs ₹10 lakh, but was getting sold off for ₹4 lakh in a distress sale. “Better than selling it at scrap value,” said Murugan. He then pulled down the shutters and walked to his car, which he is considering selling next, he said.

Coimbatore is one of the few geographies in the country that can vie for the “manufacturing heartland” tag. It is the second-largest economy, after Chennai, in a state which is one of India's most industrialized—Tamil Nadu.

While many of the big factories are housed in and around Chennai, the erstwhile textile town (roughly 500km to the west) had always been the hub of the smaller player—the valve maker and the wet-grinder manufacturer.

Many of the smaller factories also supplied essential components and parts that kept Chennai's auto cluster buzzing. Coimbatore is the sort of place where one takes pride in running a factory, or working in one. And it has been like that as long as the locals can remember. In many ways, it was an ideal location for the “Make in India” dream to take root.

But the economic downturn of the past few months has left an acute impact on cities like Coimbatore, which revolve around small and medium-sized manufacturing units.

Even if there is a mild economic recovery in the coming months, the scars will take a long time to heal. Stories of job losses are rife. The impact on small factory owners who are trying to grapple with their first near bankruptcy may be a bit harder to quantify.

When Murugan's factory, which manufactured valves for the auto industry, finally shut its doors, four people lost their job. And that was after the workforce had already been heavily trimmed in an effort to stay afloat.

City of small industries

Coimbatore is an interesting case study as to how broad-based the economic slowdown is. The city's local economy is diverse enough—it supplies a bulk of the spare parts used by automobile manufacturers hosted in cities like Chennai; has one of the highest densities of textile units in the world; meets over 90% of the country's wet grinder demand. Many companies which may necessarily not have a global or national name are crucial to the city's survival, such as pump-set maker GV Industries, which has been around for decades.

The crippling consumption slowdown has left a broad footprint: customers are forgoing not just the purchase of new cars, but also clothes, wet grinders, and pump sets. For people like Murugan, the fallout has been devastating. A nascent prosperity had taken root over the last two decades, largely as a result of the town's manufacturing capability. Many of the small and mid-sized factory owners had begun to get used to nice homes, cars, dining at expensive restaurants, and going on vacations.

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Source: livemint.com- Jan 28, 2020

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