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IBTEX No. 265 of 2018 December 29, 2018

USD 69.93| EUR 79.98 | GBP 88.86 | JPY 0.63

Cotton Market (28-12-2018)

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

Rs./Bale	Rs./Candy	USD Cent/lb
20526	42900	**78.01**

Domestic Futures Price (Ex. Gin), January

Rs./Bale	Rs./Candy	USD Cent/lb
20960	43806	**79.66**

International Futures Price

NY ICE USD Cents/lb (March 2019)	72.06
ZCE Cotton: Yuan/MT (May 2019)	14,860
ZCE Cotton: USD Cents/lb	**98.32**
Cotlook A Index – Physical	**81.95**

Cotton Guide: ICE Futures were moving North on Wednesday, whereas yesterday ICE futures dropped quickly, therefore not being able to thrust further ahead after building a slight momentum. ICE March futures settled at 72.06 i.e a drop of (-144) points after touching a low of 71.87 cents/lb and a high of 74.18 cents/lb. ICE May futures also followed similarly with a drop of (-141) points settling at 73.32 cents/lb.

ICE July settled (-150) points lower at 74.28 cents/lb. All the other ICE contracts were in Negative figures. Total open interest (OI) dropped by 564 contracts to 211,484. March contract OI reduced by 307 at 127,287, July contract OI reduced by 259 at 17,174, whereas the May contract OI saw a short increase.

At the domestic front MCX contracts emanated red adjustment figures. January contract experienced a loss of (–20) and settled at 20960 Rs/Bale with lower volume of -1989 lots at 3019 lots and higher open interest of +436 at 7704 lots. February contract settled at 21,210 Rs/Bale i.e a (-30) loss whereas March settled at 21,410 Rs/Bale with a (-10) loss.

Indian Shankar 6 is trading around 43,200 Rs/Candy. Based on the pressure of arrivals the markets might trade in the range of Rs 42,500 to Rs 44,000 per candy next in the entire January. Cotlook index A has been adjusted to 81.95 (+0.30). This week Export sales figures would not be released due to the US government shutdown.

Cotton prices fell of the seventh time in eight sessions on sign of limited demand for US Exports as China is inclining its purchases to India. In December the commodity has plunged 8.6%, heading for the biggest drop since August 2016. Earlier in June, Cotton futures at ICE had attempted to break the 98 level but failed and then market has now crashed to 72.

On the technical front, when we see an average price of last six months, the figure amounts to 71 cents. This means the market could bring some more decline. We expect it to continue in the range of 70.50 to 75.50. Unless the 75.50 figure is breached we should not turn bullish on cotton. ICE MAR futures however, failed to sustain above the 74 level and slipped towards the supports at 72.00 level in yesterday’s trade.

As shown in the charts , the next support levels exists at 71.90 zone (76.4% Fibonacci level), only decline below could bring further selling towards 70 followed by 69 levels, else it seems that the price will retrace towards 74.50 zone as oversold RSI restricts the downside for the near term. On the higher side above 74.50, 75.50 is the crucial resistance zone followed by 76.20. In the domestic markets trading range for Jan future will be 20720-21240 Rs/Bale.

Currency Guide

Indian rupee has opened higher by 0.4% to trade near 70.07 levels against the US dollar. Rupee has benefitted from weaker crude oil price, some stability in equity market and RBI's open market operation to boost liquidity.

Brent crude trades higher near $53 per barrel today after a 4.2% slide yesterday. Crude price remain pressurized by unexpected rise in US crude oil stocks and concerns about US and Chinese economy.

US DJIA index ended a volatile session Thursday with a 1.1% marking its second consecutive rise and this has helped Asian market trade largely higher today. As per report, RBI got bids worth 364.8 billion rupees at open market operation auction.

The US dollar is under pressure amid mixed economic data and concerns about government shutdown. US consumer confidence index fell from 136.4 to 128.1 as against forecast of 133.5.

Partial US government shutdown is likely to continue into 2019 after House Republicans said no votes planned this week. While risk sentiment has improved, we may not see much further improvement given concerns about Chinese and US economy, uncertainty about US-China trade deal and US government shutdown.

Rupee may witness choppy trade amid mixed cues however global economic challenges will continue to weigh. USDINR may trade in a range of 69.8-70.25 and bias may be on the upside.

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

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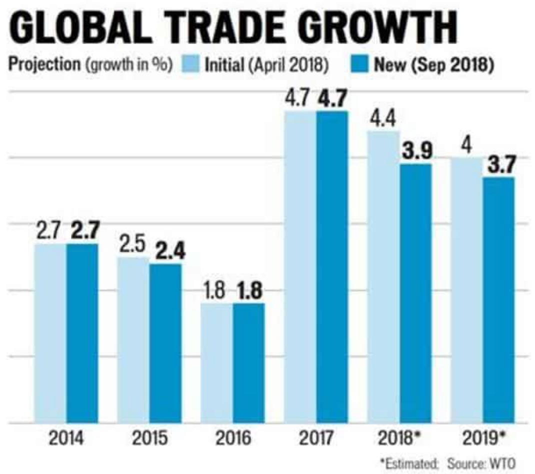
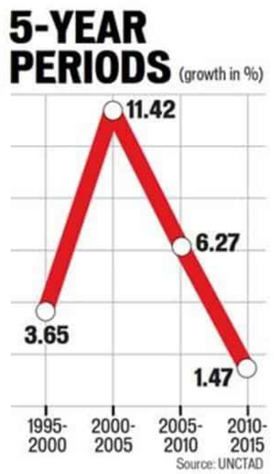
INTERNATIONAL NEWS

Global trade war: A battle where all parties stand to lose

Statistics from the United Nations Conference on Trade and Development (UNCTAD) show that global trade growth between 2010 and 2015 was the lowest in five-year periods beginning in 1995, the year when the WTO came into existence.





2018 will be remembered in global economic history as the year when the already-fragile consensus over the liberal multilateral trading order received its biggest blow. In keeping with his America First rhetoric, US President Donald Trump unleashed a series of tariff hikes targeting Chinese imports.

China too retaliated in kind. The US and China are the two largest economies in the world. China's economic rise has been accompanied by a surge in Chinese manufacturing exports into the US, which many including Trump see as a big reason for the destruction of jobs in the US economy.

Prospects of a trade war among world's largest economies spooked economic observers across the world. Commodity prices went down, global economic growth and trade growth projections were reduced and protectionist policies started gaining traction across the globe.

As far as the impact of the trade war on global trade is concerned, the World Trade Organisation (WTO) downgraded its global trade growth forecast for 2018 and 2019 by 50 basis points and 30 basis points between April 2018 and September 2018. One basis point is one hundredth of a percentage point. Trump announced most of his tariff hikes after April.

These headwinds to global trade have come at a time when the impact of the 2008 global financial crisis is still lingering. Statistics from the United Nations Conference on Trade and Development (UNCTAD) show that global trade growth between 2010 and 2015 was the lowest in five-year periods beginning in 1995, the year when the WTO came into existence.

What is ironical is that protectionist measures by the Trump administration have not helped in controlling the US trade deficit.

According to statistics from the Bureau of Economic Analysis, the US current account deficit as a percentage of GDP actually increased by 40 basis points between the second and third quarter of 2018.

While the gains to the US economy from such measures remain uncertain at best, they have thrown the rest of the global economy into great jeopardy.

For India, which has adopted the export-oriented Make in India as one if its flagship economic policy objectives, policy dilemmas will increase going into the future. On the one hand, there is an opportunity to capture some of the export market in what as of now is a bilateral retaliation between the US and China.

For example, India could target greater textile exports to the US and bigger soybean exports to China.

But a proliferation of the trade wars will also mean that global trade as an engine of economic growth will come under pressure and egalitarian trade policies, especially in agriculture, will take a hit. Both will generate headwinds for economic growth.

Source: hindustantimes.com- Dec 28, 2018

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USA: Textiles Took Strides Toward Raising Performance and Methods in 2018

The adage goes, “Innovate or die,” and for fiber and fabric companies this year, the aim was to innovate by raising performance levels with new technology and advancements in sustainability.

Cotton

The cotton industry was busy in 2018 upgrading its wearability and production methods.

Cotton Incorporated, the marketing arm of U.S. cotton growers, launched Purepress, a durable press technology that keeps clothes wrinkle- and formaldehyde-free. The technology utilizes already available chemistries in a patent-pending combination that performs as well as, or better, than conventional resins.

Mary Ankeny, vice president of product development and implementation operations for Cotton Inc., noted that when wrinkle-resistance chemistry was introduced in the 1990s, it used formaldehyde-containing resins to crosslink, or give memory, to the fibers to hold those bonds in place, resulting in a smooth fabric.

Formaldehyde is a naturally occurring substance found even in apples. However, some global health organizations have identified significant exposure to formaldehyde as a probable carcinogen. Purepress technology claims attributes that include creating smoothness equal to that of conventional resins, removal of byproduct effects of formaldehyde, and improved tensile strength, tear strength and abrasion resistance, as well as not promoting yellowing, shade change or cause odor.

Working to meet its 2025 sustainability goals, Cotton USA introduced the U.S. Cotton Trust Protocol, an integrated data collection, measurement and verification procedure that will document U.S. cotton production practices and their environmental impact.

The U.S. cotton national sustainability goals aim for several targets by 2025, including a 13 percent increase in productivity and an 18 percent increase in irrigation efficiency. To achieve this, the industry will have to rely on increasing the use of irrigation-efficiency tools, such as sub-surface water sensors, irrigation schedulers and flow meters, James Pruden, senior director of public relations for Cotton Inc., noted.

The details of the U.S. Cotton Trust Protocol are being fine-tuned and a pilot program will be launched in 2019 and fully implemented with the 2020 cotton crop year.

Albini Group, Supima and Oritain created a partnership meant to set a new standard for responsible fashion through the first market adoption by Kering of 100 percent traceable Supima organic cotton. The companies said the partnership demonstrates the value of transparency and innovation in the supply chain, from field to fiber to finished garment. The goal is to create a pioneering path with proven provenance, ultimately establishing a more sustainable and transparent fashion industry.

Cellulosics

The Lenzing Group, a major producer of wood-based cellulosic fibers, said it was investing around $116.5 million in sustainable manufacturing technologies and production facilities through 2022. A major goal of the ongoing initiative is to upgrade all Lenzing sites to fulfill the EU Ecolabel standard by 2022.

Lenzing said the investments underline the company's commitment to the United Nations Sustainable Development Goals (SDGs) as guiding principles for its sustainability agenda. Lenzing chief commercial officer Robert van de Kerkhof, said. "With our Refibra technology, Lenzing is innovating to support a more circular, bio-based economy, contributing in particular to SDG 12."

Lenzing's Refibra technology takes cotton scraps collected from garment production and wood pulp from responsibly managed forests and transforms it into virgin Tencel lyocell fibers. The fibers are produced in a closed-loop production process using bioenergy and can be used for fabric and apparel production.

Eastman Chemical launched Naia, its sustainably sourced cellulosic yarn, in the women's wear market, after a successful run marketing it in the innerwear sector last year. Eastman said the inherent qualities of Naia give fabrics made with the yarn strong breathability and moisture management characteristics.

The cellulosic yarn is produced in a safe, closed-loop process where solvents are recycled back into the system for reuse. In addition, Naia has an optimized, low-impact manufacturing process with a low tree-to-yarn carbon and water footprint.

Polyester

Polartec introduced Polartec Power Air, a new fabric technology engineered to reduce fiber shedding. The new platform, which encapsulates lofted fibers within a multilayer, continuous yarn fabric construction, offers advanced thermal efficiency that the company said is proven to shed five times less than other premium mid-layer weight fabrics. Fiber shedding has been linked to ocean pollution when polyester fibers are disassembled from apparel during washing and make their way into the wastewater stream.

Polartec feels that Power Air, which it claims is the first fabric construction to encase air with a continuous yarn, is a “foundational technology platform” that will lead to providing shedding reduction to all existing apparel categories, including insulation, lightweight next-to-skin and extreme weather protection.

Polartec had earlier introduced Polartec Power Fill that rounds out its range of temperature-regulating performance fabrics. Polartec Power Fill is a soft and pliable matrix of polyester engineered with a proprietary hollow fiber construction that is softer and more durable.

Power Fill is designed to form thousands of air pockets that continuously capture and contain body heat, while maintaining a resilient, equalized thermal layer between the colder air on the outside and the warmer temperatures on the inside. Made with 80 percent post-consumer recycled content, Power Fill insulation technology provides greater warmth retention in colder conditions, without added weight or bulk.

Unifi Inc. introduced its Profiber brand that provides options to integrate multiple performance “Tru-technologies” into polyester and nylon yarns that offer increased fabric comfort, performance and functionality. Unifi’s proprietary Tru-technologies offer a wide range of performance properties such as wicking, thermal comfort, full coverage, bounce, stretch, sun protection and water resistance.

Unifi said brands and retailers can combine a wide range of Unifi Tru-technologies with Profiber virgin polyester and Repreve recycled yarns “that offer multiple performance benefits.” Examples of new Tru-technologies and benefits are TruTemp365 high-tech fibers that provide year-round comfort in warm or cool weather and TruDry breathable, moisture-wicking fiber technology. In addition, TruCover fibers deliver flexible, lightweight stretch and coverage, TruFlexx fibers allow fabrics to move freely and stretch without binding or sagging, TruCool performance fibers feel cool to the touch and TruTouch fibers have a cotton-like softness.

Japan’s Teijin Frontier developed a new linen-like fiber that promises properties like freshness, a natural appearance and added comfort for outerwear, bottoms and blouses. Using a technique to capture linen’s naturally uneven feel, the company developed the fiber, which it says offers the resilience, luster and natural look of linen, but also leans on some of polyester’s properties, like easier care and functionality.

Leather

Bolt Threads, the maker of Microsilk, introduced its second material–Mylo–the world’s first commercially available imitation leather grown from mycelium, the root structure of a mushroom. To do it, Bolt Threads partnered with biomaterials company Ecovative to license the initial mycelium technology and then perfect the process for commercial viability.

Mylo looks and feels like hand-crafted leather and because Bolt Threads can control the environment and process through which Mylo is grown, it is able to manipulate the leather’s properties, including thickness and shape, to craft into individual products.

Applied DNA Sciences Inc. combined with Eurofins BLC Leather Technology Center to bring Applied DNA’s SigNature T-based leather traceability system to market. The system applies DNA to animals on a farm to test for recovery when hides are delivered to a tannery. It also includes applying DNA after initial tanning to test for recovery following leather splitting on both grain leather and drop splits, and applying DNA during the leather finishing process to test for DNA recovery.

Wool

After three years, Patagonia reintroduced wool into its product array, this time with fresh standards and certifications. The outdoor specialist noted that in 2015 it made a conscious decision to put a pause on wool sourcing “until we can assure our customers of a verifiable process that ensures the humane treatment of animals.”

Patagonia noted that as part of its wider responsibly sourced wool strategy, it has worked with sheep farmers and its manufacturing supply chain to obtain certification to the Responsible Wool Standard. The company said, “This ensures that the responsible wool that was shorn at the certified farms was not mixed or swapped with conventional wool from other sources.”

Nylon

Cordura launched TrueLock fiber that’s made from parent company Invista’s nylon 6,6 multi-filament fiber that is solution dyed, locking the color in at the molten polymer extrusion level to create deep, durable color throughout the fiber structure.

Plans currently being put into action include expansion of the Cordura TrueLock filament product line to introduce additional standard colors and deniers, as well as the flexibility to fulfill smaller minimum order quantities and custom colorways.

Silk

Kraig Biocraft Laboratories Inc., a developer of spider silk-based fibers, said it completed the production of its first roll of pure Dragon Silk fabric, marking the first time that the company’s proprietary recombinant spider silk fibers were used to create a 100 percent woven silk fabric.

The company had previously developed sample products in pure and blended knit configurations using its Monster Silk materials, including shirts and gloves, but this marks the first time its newer and stronger Dragon Silk will be transitioned into an end product.

Source: sourcingjournal.com- Dec 28, 2018

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Driven by E-Commerce Demand, China to Build 150 Modern Logistics Hubs

Reacting to the rapid rise of e-commerce in the world's most populous country, China has an aggressive plan to meet the logistics needs of merchants and consumers.

A plan jointly released last week by China's National Development and Reform Commission (NDRC) and the Ministry of Transport has the country building 30 logistics hubs by 2020 and 150 overall by 2025.

The plan includes six different types of logistics hubs for cross-border and domestic order fulfillment–inland harbor, cargo port, airport, service-oriented port, commerce and trade-oriented port, and inland border port.

The departments cited 127 cities as qualified locations for the project, including Shenzhen, Beijing Tianjin, Nanjing, Shanghai, Guangzhou, Zhenzhou, Foshan, Xi'an and Fuzhou. The hubs are to focus on creating automatic ports and smart warehouses, and to use unmanned vehicles, robots and drones to increase efficiency, the report noted.

The government goal is to also establish high-efficiency logistics services to boost parcel-delivery capabilities, and to develop express shipment capabilities for air, high-speed rail and e-commerce delivery.

The government-backed plan comes amid major investments by some of the country's private commerce giants to build out their own high-tech logistics networks.

Chinese e-commerce giant JD unveiled a new parcel delivery service recently that enables users of the company's app in Beijing, Shanghai and Guangzhou to send items intracity and throughout mainland China with the same fast and reliable delivery service they get when making purchases.

The company, which will expand the program to include high-value items like luxury products and high-end consumer electronics, as well as more diverse options based on delivery timing, said it aims to make residential and business deliveries for shippers from anywhere to anywhere within mainland China a reality in the future.

JD said its logistics network, powered by the company's proprietary supply chain management technology, is able to deliver more than 90 percent of orders the same day or next day—and to 99 percent of China's population.

As part of its planned Urban Smart Logistics Institute, a new research center in Xiongan, China, dedicated to developing futuristic automation technology for urban logistics in China's smart cities, JD is working to develop underground logistics systems.

These operations would make use of subterranean tracks and integrated municipal pipe corridors and, in turn, help preserve open, convenient and aesthetically pleasing above-ground space that normally would be used for traditional logistics systems.

"As China's cities are developing faster and becoming more sophisticated, sustainable urban development is critical," said JD Logistics CEO Zhenhui Wang. "Smart logistics ensures that space in cities is being used in the most efficient and least disruptive way possible. We are committed to revolutionizing global commerce and society more broadly."

In the first 10 months of 2018, China's logistics sector carried about $33.3 trillion worth of goods, according to the China Federation of Logistics and Purchasing, a 6.6 percent annual growth.

Source: sourcingjournal.com- Dec 28, 2018

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China-Egypt relations see strong push in 2018

The comprehensive strategic partnership between China and Egypt have witnessed an unprecedented push in 2018.

In September, Egyptian President Abdel-Fattah al-Sisi visited China for the 2018 Beijing Summit of the Forum on China-Africa Cooperation (FOCAC), his fifth visit to the country since assuming office in 2014.

Ahead of the FOCAC meetings, Sisi held talks with Chinese President Xi Jinping during which both leaders agreed to jointly advance the China-Egypt comprehensive strategic partnership in the new era.

During the meeting, Xi stressed that China highly values developing the comprehensive strategic partnership with Egypt, pledging to continue to support Egypt in its efforts to maintain stability, develop economy and improve people's livelihood, as well as pursue a development path in line with its national conditions, and play a bigger role in international and regional affairs.

During the September visit, Sisi also met with Chinese Premier Li Keqiang.

Noting that Egypt and China maintain traditional friendship and a high level of mutual trust as well as close coordination with each other on major international issues, Sisi stressed that Egypt places a high priority on the comprehensive strategic partnership with China.

As one of the first countries that support the Belt and Road Initiative, Egypt firmly believes that the initiative will create enormous opportunities for their bilateral cooperation as well as international and regional cooperation, he said.

The president said Egypt will continue to support and participate in the Belt and Road Initiative and, as the incoming holder of the African Union rotating presidency, it will also continue to promote cooperation between Africa and China.

Sisi welcomed the increase of investment by Chinese enterprises in Egypt, calling for efforts to make good use of Egypt's advantages in geographical location and the Suez Canal industrial park to jointly explore European, Middle East and African markets.

During his stay in China, Sisi witnessed the signing of bilateral cooperation documents.

Among the deals were the construction of a pumping and storage station in the Mount Ataka area in Northeast Egypt, a coal-fired power station in Hamrawein on the Red Sea coast and the second phase of central business district in the new administrative capital.

The signings also included building a textile industrial project, a refinery and a petrochemicals complex in the Suez Canal corridor area.

In October, Chinese Vice President Wang Qishan visited Cairo at the invitation of Egyptian Prime Minister Mostafa Madbouly.

During his two-day visit, Wang met with Sisi and Madbouly. The two sides agreed to further boost cooperation between the two countries.

Wang and Madbouly witnessed the signing of cooperation documents in fields such as agriculture, education and culture.

In November, Madbouly visited China to attend the opening ceremony of the first China International Import Expo (CIIE) in Shanghai.

Addressing the opening ceremony of the exhibition, Madbouly said that Egypt is enthusiastic about boosting cooperation between the two countries on bilateral and regional levels in various fields.

He added that Egypt's participation shows its appreciation of the Chinese efforts to enhance fair trade between the two countries.

Madbouly noted that about 1,080 Chinese companies are operating in Egypt in various sectors, notably industry, information technology and economic zones.

Egypt's pavilion in the exhibition included such sectors as agriculture, food industry, textile, handicrafts, engineering and finance.

FRUITFUL COOPERATION

Meanwhile, China-Egypt bilateral trade volume grew 26.7 percent year-on-year in January-August to reach 8.83 billion dollars, according to China's State Administration of Taxation.

Statistics from the administration show that China's exports to Egypt reached 7.61 billion dollars in the first eight months of 2018, while its imports from Egypt totalled 1.22 billion dollars.

In 2018, Chinese companies participated in an array of Egyptian exhibitions, such as the Cairo International Book Fair, the first international exhibition of military industries (EDEX 2018), the Cairo International Motor Show (AUTOMIC FORMULA) and the Egyptian-Chinese Trade and Investment Exhibition.

Egypt has also signed a number of agreements with Chinese companies. In March 2018, the Egyptian government signed a memorandum of understanding (MoU) with China State Construction Engineering Co. on designing and constructing three closed gymnasiums in Sharm al-Sheikh, Hurghada and Luxor in preparation for hosting the 2021 World Men's Handball Championship.

In May, Egypt's New Urban Communities Authority (NUCA) signed a memorandum of understanding (MoU) with Chinese construction company CGCOC Group to establish the first industrial zone in the city of New Alamein.

Earlier this month, Chairman of Egypt's Arab Organization for Industrialization (AOI) Abdel Moneim al-Taras announced that he agreed with Chairman of China Railway 20 Bureau Group Corporation (CR20G) Deng Yong to establish an industrial facility to manufacture monorails and express trains.

Also in December, Commander of Egyptian Air Forces, Mohamed Abbas, signed an agreement during EDEX 2018 exhibition in Cairo to purchase drones from China's National Aero-Technology Import and Export Corporation (CATIC).

China Harbour Engineering Company (CHEC) started in August the main phase of the construction of a new terminal basin in Sokhna Port south of the Suez Canal northeast of Egypt, while the National Bank of Egypt (NBE) signed in September a loan agreement of 600 million dollars with China Development Bank (CDB) in the Chinese capital of Beijing.

Cooperation between Egypt and China was extended to the cultural field as the first-ever Chinese archaeological team started excavation works in the Montu Temple in Upper Egypt's Luxor. Egyptian and Chinese media officials celebrated in November the broadcast of a dubbed Arabic version of Chinese popular TV series "Ode to Joy" on Egyptian state TV channel.

Egypt's former ambassador to Beijing, Mahmoud Allam, told Xinhua that the Egypt-China relations witnessed a "strong momentum in building strategic partnership" this year.

"The exchange of visits between officials of the two countries during 2018 perpetuates the keenness of the political leadership in Egypt and China to communicate at all levels and discuss issues of common concern," he said.

The former diplomat praised highly Chinese cooperation in development projects across Egypt and the diversity of Chinese investments in the country.

"Egypt is currently witnessing an economic breakthrough, and China has great experience and resources that Cairo can benefit from," Allam said.

Source: xinhuanet.com- Dec 28, 2018

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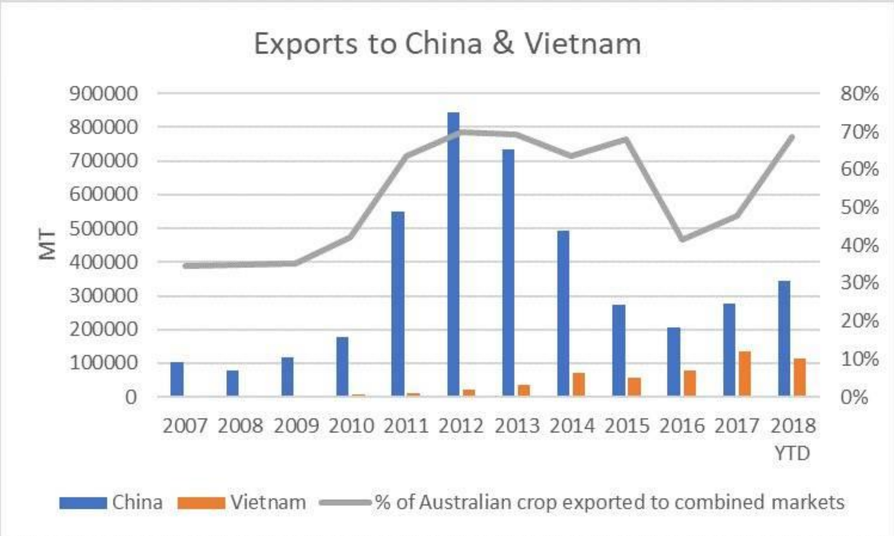
China buys up cotton

Chinese imports of Australian cotton continue to strengthen despite (or perhaps as a result of) the continuing chatter of trade wars.

Those who attended the Australian Cotton conference this year, and were lucky enough to listen to Michael Every's presentation on what he was calling the Cold War between the USA and China, may remember he stated that Australia could not continue to sit on the fence on this matter and that we must pick a side. It is with this in mind I believe it is timely that we review China's importance to the Australian cotton industry.



The export data as depicted below demonstrates that China is once again the big daddy of buyers of Australian cotton.

While yet to reach the heady heights of 2012, just over 50 per cent of the 2018 Australian cotton crop shipped to date was bound for China. If you include the consumption of Chinese owned mills operating in Vietnam this figure then rises to closer to 70pc of the crop.

Calculating these figures was made a bit harder for us given our primary source of data is generated by the Australian Bureau of Statistics, who unfortunately bent the knee to an unknown party and agreed not to specifically provide data for exports of raw cotton to China and Indonesia.

In providing this opinion of current export estimates we have considered the relative volumes of cotton exported to various markets over the last decade and drawn on outside market intelligence.

If you are interested, the balance goes to mills in Bangladesh who to date have taken 10pc of the crop; Indonesia and Turkey 4pc each while India and Thailand have each taken 3pc of the 2018 shipments to date (ABARES data as of end of September 2018).

The remainder has been shipped to a gamut of smaller markets. China's focus on depleting their strategic reserves of cotton dramatically reduced their imports of foreign cotton over the past few years however, as the recent ABARES export statistics suggest, this may well be drawing to a close.

The USA National Cotton Council (NCC) reported in their latest weekly export sales report (dated week ending November 29, 2018) that cumulative sales of US cotton to China for the 18/19 crop year is at over 1.6 million bales.

This places China as the second largest buyer of US cotton, making up 16pc of the total recorded US sales to date. In addition to this China has already purchased a further 1 million bales for shipment in the 19/20 crop year.

It is important to note that these are sales figures only with the big question being how many of these sales will actually have cotton delivered against them.

At the time of writing this article, cotton imports into China from the US still attract a government induced tariff of 25pc which, if not lifted, is definitely prohibitive to the actual delivery of US cotton against these sales.

Additionally the Chinese mills are for the most part, buyers of high grades and with the current US crop predominately 41 colour or lower this may also play a role in US cotton shipments to China not meeting their current sales.

The spinning mills located in China free trade zones are exempt from paying import tariff on raw cotton. There will be a small fee on the yarn when brought out of the free trade zone however this is minimal when compared to the tariff on raw cotton.

Private sources have estimated total raw cotton consumption of these mills to be in the vicinity of 2 million bales per annum. Shipments to these mills will account for some of the existing US sales of cotton to China.

Chinese free trade zones also contain an inordinate number of warehouses many of which are used to store foreign cotton. This cotton is stored in these warehouses 'on consignment' and is offered to Chinese spinning mills based ex warehouse. The import tariff on these bales is only paid once the cotton is shipped out of the free trade zone and as such it would be logical to assume that there is a lot of cotton, including both Australian and US sitting in these warehouses waiting for sale to Chinese mills located outside of the free trade zone.

This cotton is recorded as being shipped to China in the figures discussed however it has yet to be actually sold to a Chinese spinner.

It is with some degree of trepidation that I mention the trade war tag given its somewhat current flavour as media fodder and the resulting ever changing views and postulations on this issue. We do know that shipments of Australian cotton into China are on the rise again with currently over 50pc of all shipments to date sailing to China. This may well be a result of trade war induced mill focus away from the US. It could also be an anticipation of Chinese Reserve Stock purchasing or a combination of many different market eccentricities.

Source: queenslandcountrylife.com- Dec 28, 2018

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China's journey towards global trade

China's trade policies were thrust into the spotlight this year following frictions with the U.S. which led to a trade war that has yet to relent.

How did China become a leading trade power? The country's reform and opening-up and World Trade Organization (WTO) accession played key roles in boosting trade ties between China and other countries and upgrading its industrial structure.

In 1978, China's goods trade volume was 21.1 billion U.S. dollars, ranking 26th in the world. The same year, the country took the first step to join the global trading system with the launch of the reform and opening-up policy. China soon became the "world's factory," supplying everything from raw materials to kitchenware.

The second major turning point came in 2001 when China joined the WTO.

Soon China became one of the world's top three trading powers in terms of trade volume with an improved industrial structure – exports evolved from cheap textiles to high-end electronics.

With growing income, hard-working Chinese people became big spenders at home and abroad, and the country's import revenue grew 165-fold from 1978 to 2017.

Now, with all major economies among its biggest trading partners, China has become an integral part of the global trading system, benefiting a wide range of partners in the global supply chain.

Source: news.cgtn.com- Dec 28, 2018

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Low market confidence for cotton yarn globally

The unstable China-US relationship suppressed market confidence for cotton yarn in December. For Vietnamese cotton yarn, orders were at a large amount (China's orders are centered on Vietnamese cotton yarn) and ordering price was volatile.

In December, Vietnamese cotton yarn mills are heavily burdened. Some made efforts to develop other markets and succeeded. Thus exports to China may fall. If Chinese buyers keep ordering negatively, the price of forward Vietnamese cotton yarn may further drop.

For Indian cotton yarn, the forward price fluctuated in a narrow range and the transactions were scarce. Indian exporters did not find great opportunities to export. Indian cotton prices remained weak.

Cotton yarn consumption has improved, pushing up cotton yarn prices, so exporters do not have room to operate. In the short run, forward Indian cotton yarn prices will be well supported.

For Pakistani cotton yarn, forward prices in December tended from stable to weak. Calculated on the basis of export price to China, Pakistan cotton yarn mills suffered significant losses, but with an increase in cotton yarn consumption in Pakistan's local market, mills can maintain production.

In addition, the Pakistani rupee sustained depreciation, providing downward room for the export price of Pakistan cotton yarn. Due to limited stocks in China ports, regional transactions continued and traders ordered cautiously amid a bearish market concerning about the further decline of forward cotton yarn prices.

Source: fashionatingworld.com- Dec 28, 2018

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Egypt's cotton exports up 181 per cent in December

Exports of Egyptian cotton grew 181.6 per cent from December to February this year. However, deceptive practices by some manufacturers have damaged the reputation of Egyptian cotton.

The plan is to reinforce the credentials of genuine Egyptian cotton as an ethical and sustainable brand, the cultivation and production of which supports whole communities.

The integrity of supply chain will be policed to ensure full compliance, traceability and transparency. Egyptian cotton is still widely recognised as a luxury brand.

Americans associate Egyptian cotton with quality and are prepared to pay a premium for it, ahead of Pima cotton, Turkish cotton and Supima.

In the past two years, Egypt has taken measures to restore seed purity and cotton quality. Egyptian cotton's length, strength, firmness, color, trash count and maturity have all improved.

If Egypt's cotton industry returns to its previous glory, the economy would flourish, spinning and textile industries would boom, and stalled factories would reopen.

Egypt is keen on upgrading the system of cotton cultivation. A classification map for Egyptian cotton has been prepared and distributed in the governorates, showing the cultivated varieties in each governorate, their productivity, and a map of the cultivars and the approved varieties for each fork.

Source: fashionatingworld.com- Dec 28, 2018

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Economic Partnership Agreement Confirmed for EU & Japan

The EU-Japan Economic Partnership Agreement and the EU-Japan Strategic Partnership Agreement were approved earlier this month, highlighting for the first time details surrounding the Paris climate agreement and covering over one third of the global GDP, according to a release announcing the agreement confirmation.

The agreements are part of the overall goal of creating an open trading zone as well as fostering a faster and simplified trade environment in the EU region. The agreement is scheduled to take effect February 1, 2019.

“Japan is a country with which we already work very closely. Following today’s votes, our partnership will become even stronger. Japan is an important partner for the EU in multilateral fora. Our new agreement will help us cooperate even more closely in many areas and increase people-to-people contacts,” said High Representative Federica Mogherini.

Products impacted by the agreement include Gouda/Cheddar cheese as well as wine exports, which will see the elimination of duties. Other products such as cosmetics, chemicals, textiles and clothing will also see the removal of tariffs in the competitive EU regions.

“Almost five centuries after Europeans established the first trade ties with Japan, the entry into force of the EU-Japan Economic Partnership Agreement will bring our trade, political and strategic relationship to a whole new level,” President of the European Commission Jean-Claude Juncker said.

"I praise the European Parliament for today's vote that reinforces Europe's unequivocal message: together with close partners and friends like Japan we will continue to defend open, win-win and rules-based trade. And more than words or intentions, this agreement will deliver significant and tangible benefits for companies and citizens in Europe and Japan."

Source: globaltrademag.com- Dec 28, 2018

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Pakistan to benefit if China makes, exports apparels from there

Pakistan hopes to benefit from the US-China trade war. If businessmen from China bring fabrics to Pakistan for making finished products, and export those to the US, then they will not only able to maintain their client base but Pakistan will also benefit.

Turning fabrics into finished products needs resources like manpower, machinery and factory premises. And Pakistan have all these.

Enabling Chinese textile exports this way will give a boost to Pakistan's exports and deal with the balance of payments situation.

When Chinese businessmen carry out their exports jointly with Pakistan, making use of the raw materials as well as Pakistan's human resources, it will add to the earnings of Pakistan.

Pakistan is the fourth largest producer of cotton across the globe. Textile products have a 60 per cent share in Pakistan's exports. The textile industry contributes almost a fourth to industrial value addition and employs 40 per cent of the country's industrial labor force.

Also China is helping Pakistan's spinning mills become more cost efficient and competitive. Almost 80 per cent of the yarn and other textile products will be re-exported to China for value addition to sell the finished goods at better prices in the international market.

Source: fashionatingworld.com- Dec 28, 2018

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Vietnam: Vinatex expects eight per cent rise in turnover

The Vietnam National Textile and Garment Group (Vinatex) expects export turnover to rise up to eight per cent in 2019. Vinatex is the largest textile maker in Vietnam. The group is striving for a five per cent increase in industrial production, seven per cent growth in revenue, and 12 per cent hike in profit. Its exports rose 10.9 per cent in 2018. Industrial production value was up 9.7 per cent against the previous year. Total revenue rose 6.6 per cent.

Although the group has secured orders until the end of the first quarter of 2019, input costs are a challenge. Minimum wage is forecast to expand 5.3 per cent, resulting in a rise in social insurance premium and labor cost. Meanwhile the group has paid due attention to the quality of orders and customers and aims at being among the top five producers in Vietnam.

Besides investing heavily on modern machines and equipment that meet international standards to manufacture excellent products, the group will channel focus on improving labor productivity and increasing workers' income. Garment and textile firms in Vietnam are encouraged to join hands with their customers and partners to set up a value chain to overcome difficulties.

Source: fashionatingworld.com- Dec 28, 2018

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High logistics costs worries Vietnam's garments sector

High logistics costs, ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), foreign firms acquiring stakes in Vietnamese concerns, turning the fastest-growing market for cotton and Denimsandjeans' 3rd edition marked the year for Vietnam's textile-garments industry.

Despite many Vietnamese garment firms facing significant hardships in 2017 because of orders being shifted to countries with low labour costs and tariffs, such as Cambodia and Bangladesh, the sector bounced back by mid 2018 after investing in technology and adjusting costs and inappropriate policies.

Bilateral and multilateral free trade agreements (FTAs) that the country signed or was about to sign did contribute to the trend.

Vietnam's 14th National Assembly in November adopted a resolution ratifying the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) with 96.7 per cent of votes in favour.

Experts cautioned high logistics costs for exports have made Vietnamese garment and textile firms uncompetitive. Logistics costs in the country are 6 per cent higher than in Thailand, 7 per cent more than in China, 12 per cent higher than in Malaysia and three times more than in Singapore.

Vietnam has currently about 6,000 garment related companies that employ 2.5 million. In the first 11 months of this year, the textile and garment sector's export value was $30 billion and trade surplus surpassed $13 billion, according to the Vietnam Textile and Apparel Association (VITAS).

VITAS and the World Wide Fund for Nature (WWF) launched in October a project to transform the textile industry into a more sustainable 'Made in Vietnam' sector. This project will engage multiple players in the sector to promote better river basin governance and contribute to water quality improvement and sustainable energy use.

In November, suppliers received training on climate action as part of the initiative. Global Compact Network Germany, Global Compact Network Vietnam, Vietnam Chamber of Commerce and Industry, World Wide Fund for Nature (WWF)-Vietnam and WWF-Germany joined forces with German fashion brands Adidas, Hugo Boss, Otto Group, Puma Group and Vaude to organise the training.

In December, VITAS and WWF launched in Ho Chi Minh City a water risk report for the country's textile and garment industry and a tool for assessing water risks in the Mekong region. Both are expected to support the development of garment and textile enterprises in the future.

US firm Kraig Biocraft Laboratories, developer of spider-silk based fibres, signed a deal in November with the Institute of Biotechnology–Vietnam Academy of Science and Technology (IoB-VAST) and the Vietnam Sericulture Research Centre (VSRC) to import and rear its transgenic silkworms in the country.

VSRC will provide professionals for hatching, caring and nurturing of silkworms, while IoB-VAST will provide a secure location to receive, store, and preserve the company's transgenic silkworms.

Kraig's subsidiary Prodigy Textiles also signed three agreements with local farming cooperatives in Quang Nam province, Vietnam. Under these agreements, the farmers will produce the mulberry necessary to support the company's recombinant spider silk production.

Many foreign brands acquired stakes in Vietnamese companies to strengthen their position in the domestic market. Japan's Uniqlo acquired a 35 per cent stake in Elise and will open its first store in Ho Chi Minh City next year. Uniqlo's store in Vietnam will be operated through a joint venture between Fast Retailing and Mitsubishi Corporation.

Vietnam was the second largest garment supplier to South Korea after China, accounting for 32.67 per cent of the share. South Korea's Hyosung Corporation in September received a certificate of investment registration from the People's Committee of Ba Ria-Vung Tau province for the construction of a polypropylene plant and a liquefied petroleum gas warehouse.

The Dinh Vu Polyester fibre plant resumed operations of three production lines in April. The loss-making plant operated by the ministry of industry and trade was revived.

Vietnam hosted the 3rd edition of Denimsandjeans in June. Themed 'Rock N Roll', the two-day show highlighted important places that denim occupies in the rock and roll history.

Vietnam's Bao Minh Textile Joint Stock Company in October inaugurated a textile factory at the Bao Minh industrial park in the Nam Dinh province. Constructed with an investment of over $73 million, the unit includes facilities for fabric weaving, dyeing and finishing workshops, a warehouse, a power centre and offices.

Coats, a global industrial thread manufacturer and a major player in the US textile crafts market, expansion its development site in Hung Yen near Hanoi in September. The additional capacity makes the site one of Coats' largest manufacturing units.

The increase in Vietnam's yarn exports, particularly to the world's largest yarn importer–China, has made the country the world's fastest-growing market for cotton. This has spurred opportunities for greater cotton exports from the US to the Southeast Asian nation, according to the Foreign Agricultural Service of the US Department of Agriculture.

The United Nations Development Program and the Vietnam Chemicals Agency, ministry of industry and trade recently held the inception workshop of a project called the 'Application of Green Chemistry in Viet Nam to support green growth and reduction in the use and release of persistent organic pollutants and hazardous chemicals'.

VITAS, the Sustainable Apparel Coalition and Hong Kong-based garment firm TAL Group decided in June to introduce the Higg Index in the country. Higg is an online self-assessment tool that standardises measures for environmental and social impacts in the textile, footwear and fashion industries.

Da Lat Worsted Spinning Limited Company began construction of a factory in June to spin yarn from wool in Phat Chi industrial cluster in Da Lat city in June. The factory is expected to commence operation in April 2019 and employ 400. The spinning mill is a joint venture between Germany's Südwolle Group and Ho Chi Minh City-based Lien Phuong Textile and Garment Corporation.

Several Japanese companies, including Itochu and Sakai Amiori, are investing in expanding their stake in the Vietnamese textile and garments sector.

The country's textile and garment industry will be facing a gamut of challenges next year, including Industry 4.0 and a shift from simple cut, make and trim processing to modes that involve purchasing materials, free on board, original design manufacturers and original brand manufacturers, experts have cautioned.

Added to all that is fierce competition from Bangladesh, Cambodia, Laos, Sri Lanka and Myanmar.

Source: fibre2fashion.com- Dec 28, 2018

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Pakistan: Govt to rationalise tariffs, duties to facilitate growth

Adviser to Prime Minister on Commerce, Textile, Industry, Production and Investment Abdul Razak Dawood Thursday said that the government was working to rationalize tariffs structure and customs duties in the next mini-budget to be presented in January 2019 to facilitate the growth.

Addressing the business community at the Islamabad Chamber of Commerce and Industry, the adviser said that the government would try to fix tariffs for 3-4 years to provide a clear future roadmap to the industry after rationalization of tariffs.

He said the new tariff policy would be industrialization-driven and not revenue-driven. He said in the last 10 years, deindustrialization and increase in trading had occurred in Pakistan due to unfavorable policies of the past regimes.

Abdul Razak Dawood said that the government was determined to put the country on the path of sustainable industrial growth. He said that Pakistan was depending on textiles for exports but its share in international market was reducing.

He said that a concept note of industrial policy had been developed and new industrial policy would also promote other industries, including engineering, chemical, information technology and agriculture to diversify exports.

He said that new industrial policy would support strategic industries and strengthen import substitution industries. He said that the government had planned to increase exports up to $50-$150 billion by facilitating export-oriented industries.

He said that government was planning to enhance exports of motorcycles, refrigerators, air conditioners to Africa and other countries.

In principle, he said, there should be no duty on import of raw material for manufacturing of export goods. “Similarly, there should be minimum duty on intermediaries but finished goods should have no concession.” He said Pakistan had signed FTAs and PTAs with five countries, but all FTAs were unfavorable for Pakistan except the one with Sri Lanka,.

He said that the government was working to revise FTAs with all countries and second phase of FTA with China would be completed by June 2019.

He said government was in discussion with many countries, including China, Malaysia, South Korea, Japan and Turkey, to get more market access for Pakistani products.

He said Indonesia had provided zero-rated market access to Pakistan on 20 items and added that business community should take benefit of the concession.

He said that government was also working on ease of doing business and cost of doing business to make things easy for private sector. He said Prime Minister Imran Khan had given a target to bring Pakistan from current 137 to below 100 in the ranking of ease of doing business.

He said his doors were open for business community and chambers/associations should give written proposals to remove hurdles and create facilitations for the private sector.

Speaking on the occasion, ICCI President, Ahmed Hassan Moughal said that high production cost in Pakistan was a major hurdle in promoting exports.

He said that the government should work on reducing cost of doing business to make indigenous products more competitive.

Source: dailytimes.com.pk- Dec 28, 2018

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Dependence on China fickle, India needs to formulate its own strategies

China's textile and apparel exports, since the last 10 years, have been increasing at a CAGR of 5 per cent. The country's exports in 2017 were valued at $266.97 billion, of which 59 per cent were from apparel and 41 per cent textiles. Textile and apparel imports during the period were $28 billion.

Exports to EU and US decline

Textile industry in China maintained a moderate rise in the first quarter of 2016. Textile exports grew by 22.16 per cent reaching EUR 24.6 billion. Exports to the European Union and the United States declined to 9.7 per cent as the set quota limits reached the sum of EUR 7.3 billion, 47 percentage points lower than the growth rate of the same period last year. According to a EUSME Centre report, textile exports from Mainland China to Japan, Hong Kong, Republic of Korea and the Association of Southeast Asian Nations (ASEAN), increased to 28.38 per cent.

The major export destinations for China's textile trade, USA and Japan, have a share of 16 per cent and 8 per cent with trade value of $42.5 billion and $19.7 billion respectively in 2017. China has a strong finishing and apparel manufacturing infrastructure alongwith a strong presence in retailing.

It also has a strong base for man-made filaments and staple yarns. Despite having the highest labor wages amongst the competing nations, China has developed sufficient training infrastructure to meet the industry requirements.

China's textile trade is declining due to high labor cost and shift of focus on other more profitable sectors. China has overcomeDependence on China fickle India needs to formulate its own strategies 001 this problem by strategically investing in other countries like Vietnam, Cambodia and some other African countries for the manufacturing needs. This has helped it to provide competitive prices by retaining their share in global market. Technological advances, especially complete automated operations have helped China to increase productivity and lower per capita cost.

Unpredictable reactions deter Indian investors

However, Indian textile entrepreneurs are unsure of what strategy to adopt as most often China's reaction can be quite unpredictable. For instance, a decade ago, China began expanding its business in other areas apart from textile indicating its slow exit from textiles; since the last three to four years, the country has again started procuring huge quantities of yarn from India.

This resulted in the country setting up many new yarn exporting spinning companies in India focusing only on China as their export market. These Chinese markets were not concerned with the quality of yarn leading to the supply of inferior quality yarns by their Indian counterparts.

Export of inferior yarn from India continued only for about two to three years before China stopped all imports from India. The units, setup for supplying only to China, started suffering the consequences.

Around six years ago, China started exporting fabric at very cheap rates. This impacted a large number of textile corporates in India who were planning to invest in the country.

But, of late China has almost stopped exporting fabric to India due to which the Indian weaving industry is growing. Due to China's constantly changing strategy, India is not able to strengthen its weaving, knitting and finishing processes thereby damaging the entire value chain.

Therefore, instead of depending on another countries strategy, India needs to formulate its own strategies to maximise its strengths and overcome its weaknesses.

Source: fashionatingworld.com- Dec 28, 2018

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'Tap export opportunities to Africa, South East Asia'

Entrepreneurs in Tamil Nadu, which accounts for 10% of Indian exports, must tap the export potential of African and South East Asian markets, according to experts who addressed a workshop to explain export opportunities here on Friday.

They pointed out that the International Trade Centre (ITC) had projected the export capacity of commodity trading to reach $247 billion in 2019 from $209 billion in 2018. The experts who comprised consultants and officials with the ministry of commerce and industry said that aspiring exporters would do well to study the markets thoroughly before foraying into export business.

Trichy and adjoining areas known for their dominance in the agriculture sector were identified as an appropriate region to export agriculture and dairy products, particularly value-added ones. While the entrepreneurs were already addressing local and national demands, many of them remained unaware of the export opportunities of these very products to other countries.

The workshop was jointly organised by FIEO (Federation of Indian Export Organizations) and Tiditssia (Tiruchirappalli District Tiny & Small Scale Industries Association) at Ariyamangalam to drive home the complete procedures involved in exporting. "Rice varieties can be exported to African countries, particularly South Africa.

Entrepreneurs should research their field and sector of export for which we provide concessions and support to participate in international buyer and seller meets to understand the markets," S Selvanayagi, deputy director, FIEO, Chennai said. Besides agriculture, participants were also urged to study the market needs in engineering and textile sectors as Trichy is known for its expertise in manufacturing and fabrication sectors.

FIEO said that up to 65% of the expenses incurred in participating in international buyer-seller meets would be borne by the export promoting organisation through market access initiative scheme. "With a significant number of the Indian diaspora in Singapore, Ponni rice variety has good demand there," Mahalakshmi Arun Rajkumar, an export marketing consultant, told TOI.

Besides rice, Cavendish banana was also identified to have export potential. Credit facilities available for the aspiring entrepreneurs were explained by banking officials at the workshop. N Kanagasabapathy, president of Tiditssia, said that more export promotion workshops were in the pipeline to market Trichy after it was identified as one of the fast-growing cities in the world by an independent economy watchdog earlier this month.

Source: timesofindia.com- Dec 29, 2018

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Indian apparel exporters' body demands duty drawback hike

The month of November saw a jump of 20 per cent in rupee terms and 9 per cent in dollar terms compared to November 2017, he added

India's Apparel Export Promotion Council (AEPC) has called for increase in duty drawbacks of about 4-4.5 per cent to mitigate embedded taxes paid by exporters.

Exports of apparel have declined after the implementation of the goods and services tax (GST) due to lowering of the duty drawback rate from 11 per cent to 3.7 per cent and non-disbursement of the drawbacks.

"We are paying embedded taxes in products like seeds, besides electricity duty and taxes on diesel, but are unable to recover them, which is weakening our competitiveness," AEPC chairman H K L Magu was quoted as saying by a news agency.

He was speaking recently on the sidelines of Indian Chamber of Commerce-organised Retail India Summit.

Magu said if the government agrees to their demand of raising the duty drawbacks or GST refunds, it would translate to around a ₹5,000-crore boost for the sector. In the first nine months of the current fiscal, the sector registered a decline in exports compared to the previous fiscal.

It is only since October that things have started looking positive, as demand is rising and GST refunds have started getting released, Magu said.

He said fiscal 2018-19 is likely to be flat for apparel exports at about $17 billion, if the growth trend sustains for the remaining months.

The month of November saw a jump of 20 per cent in rupee terms and 9 per cent in dollar terms compared to November 2017, he added.

Source: fibre2fashion.com- Dec 29, 2018

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The GST journey has been all but smooth

Hit by too many tariff items, frequent changes in rates and chinks in the filing system, a course correction is badly needed

On January 1, 2019, the Goods and Services Tax will be 549 days young. The decisions taken at the latest meeting of the GST Council clearly show that the tax — which made its debut on July 1, 2017 — is still a work-in-progress. This is a good time to look at how the GST journey has been in specific areas.

Rates of tax

The number of times tax rates under GST have been chopped and changed gives one the impression that the rates were fixed arbitrarily and changes were made once protests were made by those affected. The reason for these ever-so-frequent changes can be attributed to two factors — a needlessly lengthy list of items in the GST tariff and seven rates of tax.

First, the GST Council and its fitment committee should come up with a policy document that explains their rationale for fitment. This document can also focus on reducing the number of items in the GST tariff by prescribing rates of tax for the products and not the individual components of the products.

If this is done, all vegetables, for instance, would be under a single tariff instead of someone having to rack their brains on where to slot them based on uncooked/cooked by steaming/boiling in water, frozen, branded and put in a unit container.

In a Facebook post, the Finance Minister has stated that the government is working towards a single rate of GST that will be between 12 per cent and 18 per cent. While this is welcome news, taxpayers would wait for it to be announced since many such announcements can be interpreted to be merely soothing statements to appease voters prior to elections.

This is because the post is titled “18 months of GST” and should have stuck only to GST but appeared to target the Opposition party.

Input tax credit

Enabling taxpayers to claim input tax credit on all inputs used for furtherance of business forms the backbone of a good GST law. But the process started off on a weak note since the Central GST (CGST) Act continued with all the artificial dis-allowances (such as restrictions on utilising credit in respect of insurance of employees) were a part of the erstwhile Cenvat Credit Rules.

The failure of the magical concept of matching of invoices compounded problems as there was no system of controls to check input tax credit claimed. All that the taxpayer had to do was to fill in an amount in GSTR 3B and pay tax on the net amount. Some sort of a counter-check is available in the form of GSTR 2A but till date, no one has been able to figure out how entries appear in GSTR 2A.

The new system of filing returns announced in the latest meeting of the GST Council should fix this problem — provided it works well. The Council announced that input tax credit cannot be claimed in the annual return GSTR 9 effectively, meaning that credit that has been claimed in GSTR 3B (which in itself is a best-guess estimate) would be the basis on which the annual return should be computed.

An open-ended system of input tax credit is one of the popular ways some taxpayers indulge in artificially increasing their claims of input tax credit, thereby, paying lesser than what they should be paying.

The GST Council has decided to extend the last date for filing of the annual return and the reconciliation statement to June 30, 2019, and some changes are being made in the forms that have already been announced.

The utility of a reconciliation statement given 15 months after the end of the financial year is questionable — it would appear that this effort is only to add to the large amount of data that are already available with the GST offices. How they use this data would be critical in assessing the intent of the tax officers.

2019 and beyond

In 2019, GST laws can be divided into two time-frames — what will possibly be done before and after the elections. Before the elections, the GST Council can be expected to be liberal in doling out concessions (a starting point was made in the recent tax cuts recommended by the Council) and not doing anything radical.

The recent election results would tempt the government to impress rural voters with a basket of GST concessions.

Taxpayers can expect the new system of filing of returns — christened 'Upload, Lock and Pay' — to be enforced from April 1, 2019, on a trial basis. It is fervently hoped that the technology being used for this system is completely tested and is bug-free when "go-live" happens.

How GST will pan out after the elections would depend on who comes to power next year. If the present government continues, one can expect their attention to be focussed on maximising revenue due to the fact that monthly GST revenues are still flattering to deceive and evasion appears to be on the rise.

Taxpayers should, therefore, brace themselves to face aggressive GST officers who would want to mobilise revenues at any cost.

It a new government comes to power, it may go soft initially as it would probably have five years to assess what needs to be changed. At some point in time, petroleum products and liquor for human consumption would need to be brought into the GST bandwagon after a careful assessment of their impact on prices.

If the GST Council is asked its opinion on GST till date, it would probably be: any GST is better than no GST.

As for taxpayers, their view would most likely be:: a complete GST is better than a work-in-progress GST. Housewives would probably have the best one-liner: any GST that does not reduce prices is no GST.

How the GST Council manages to meet the demands of the taxpayers and boost GST revenues would be the narrative of the law going forward. Undoubtedly, the GST Council of the future has an unenviable task — finding the right balance after an extremely mediocre start.

Indian taxpayers should be genuinely worried as past experiences under similar circumstances have not been very pleasant.

They will be eagerly hoping that the system for filing appeals online at CESTAT is introduced as soon as possible so that they can knock on the doors of the Tribunal and seek justice.

While it is too early to conclude that the erstwhile service tax and Central Excise laws were better than the present GST laws, going by present trends, we certainly appear to be heading very fast in that direction unless a course correction is made.

Source: thehindubusinessline.com- Dec 28, 2018

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Spinning mills in State to get electricity at subsidised rate

Announcing Textile Policy, State Government asks all textile units to utilise non-conventional energy sources

Maharashtra Government will provide subsidised power at Rs three per unit to the spinning mills in the State. The Government has asked textile industries to tap non-conventional energy sources in next three years. Else, subsidy to them will be stopped.

In the Textile Policy 2018-2023 announced the other day, State Government declared subisidised rates of power supply to the textile units. The facility will be available to spinning, weaving, processing, garmenting, knitting, ginning and other units.

As per the policy, powerlooms with capacity below 200 HP will get electricity for Rs two per unit.

Textile Department has declared that powerlooms with a capacity below 27 HP will get electricity at Rs 3.77 per unit and above 27 HP will get electricity at Rs 3 per unit. Further, the Government has stated that the subsidy will be given to only textile units.

The MSEDCL employees will find out if electricity at subsidised rates is being utilised for residential purpose or textile units in the premises housing such industries.

Textile Department will review power consumption every year and submit its report to the Government.

Beneficiaries will have to apply on-line for getting subsidy and their textile unit should be registered under Co-operative Act. The project should be in operation.

The project in liquidation will not get any benefit. The Government has cautioned against misuse of electricity. Misuse will attract penalty with interest.

Atul Patne, Secretary of Textile Department, told 'The Hitavada' over phone, "Textile sector plays an important role in the State's economy. This is second largest employment generating sector after agriculture.

The State has set an objective of achieving 100 per cent processing of all cotton grown. Keeping this objective in mind, and to realise the concept of Fiber to Fashion, the government has declared the policy.

This has attracted Rs 36,000 crore investment in the sector with potential to generate employment for ten lakh persons in next five years and doubling farmers' income by 2022."

Source: thehitavada.com- Dec 28, 2018

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SIMA releases employment guidelines for textile units

Mills urged to take care of emotional health of women workers

The Southern India Mills' Association (SIMA) on Friday released a set of employment guidelines for textile units. The units can adopt these and go in for audit and certification by British Standards Institute (BSI).

After releasing the guidelines, Kannegi Packianathan, Chairperson of the Tamil Nadu State Commission for Women, told presspersons that the commission would give some time for the units to adopt these and would take up more inspections.

The guidelines were different from the one released by the Association in 2010 as it now covered employment of women, migrant, and contract workers and compliance under the Tamil Nadu Hostel and Homes for Women and Children (Regulation) Act, and Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act.

In the earlier code released by SIMA, hostel registration was not covered. "In days to come, we expect more progress," she said.

About two lakh women are employed in the textile industry in the State and they constitute 75 % of the workforce in the industry in Tamil Nadu.

The Chairperson urged the mills to take care of the emotional health of the women workers as they were living away from their family. There were instances of suicides by workers in the mills.

The management should ensure counselling was provided to the workers. During inspections by the Commission, it was found that though the mills had an Internal Complaints Committee, the number of women approaching it was less. Awareness should be created among the workers about the committee, she said.

Chairman of SIMA P. Nataraj said 25 mills received five star rating adopting the first set of guidelines, which were released by it in 2010. Four mills that adopted the new set of guidelines on a pilot basis had received certification from the BSI.

“We have revised the labour code and entered into a Memorandum of Understanding with the BSI for providing star rating certificates, covering not only women but also the migrant workers. On our request, BSI is taking efforts to get international recognition for the new code of conduct through leading global brands.”

Kumaraswamy Chandrasekaran, Director and Head of Sustainability, BSI Group (India), said the certification would be for two years.

“We have started to make this an international standard. It is a long-drawn process.”

Speaking at a function organised here to release the guidelines, T. Rajkumar, chairman of the Textile Sector Skill Council, requested the Chairperson to take the SIMA code on employment to the State Government for recognition and accreditation so that the textile mills in the unorganised sector in the State too could come forward to comply with the guidelines.

Source: thehindu.com- Dec 29, 2018

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Over 1.12 lakh MSME loan applications approved under '59 minutes' scheme

Public sector banks have approved more than 1.12 lakh loan applications of MSMEs totalling Rs 37,412 crore under the '59 minutes' loan scheme launched by the government in November. GST-registered micro, small and medium enterprises (MSMEs) can take loan up to Rs 1 crore in just 59 minutes through 'psbloansin59minutes.com' portal.

Giving details about the progress of the scheme, Minister of State for Finance Shiv Pratap Shukla in a written reply to the Lok Sabha said that as on December 25, out of over 1.31 lakh applications, the state-owned banks have accorded in-principal approval to 1.12 lakh applicants.

He further said that sanctions have been made in respect of 40,669 cases totalling Rs 14,088.32 crore. Shukla further said the government and the Reserve Bank have taken several steps to ensure access of credit to MSME sector.

Source: economictimes.com- Dec 28, 2018

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Textile units urged to register hostels for workers

Textile units in the State that have accommodation facilities for their workers on their premises should register the hostels, said Kannagi Packianathan, Chairperson of the Tamil Nadu State Women Commission.

Inaugurating a workshop here on Friday on “Tamil Nadu Multi Stake Holder Dialogue - Developing Best Practices Model in Textile Industry”, organised by the District Social Welfare Department and Community Awareness Research Education Trust, she said women workers should have protection at work places. They were under stress after long working hours.

The textile units should provide good food, the required rest, and freedom of movement to the women staying in the hostels and make them feel at home. They need to be protected under the law.

The Commission recently conducted a public hearing in Chennai for textile workers. The textile units should abide by the Government regulations and should register the hostels, she said.

K. Jagadeesan, Additional Director of Industrial Safety and Health, Coimbatore, said the Social Welfare Department would complete the formalities to register the hostels. The mills should make use of this opportunity.

According to P. Thangamani, Coimbatore District Welfare Officer, the units that had not registered the hostels so far could approach the department for assistance.

Representatives of 45 textile units participated in the workshop.

Source thehindu.com.com- Dec 29, 2018

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Why Himatsingka Seide and Trident could be good value buys in home textiles space

Indian home textile companies have had a good run since FY12. More than 50 percent of India's home textile exports are to the US, constituting approximately one-third of the global home textiles market. India's share of cotton bed sheets and terry towel exports to the US rose to 40-45 percent in FY18 versus 34 percent in FY12, as per Crisil.

Given the importance of US in the context of home textiles, 3 key factors merit an investor's attention towards export-focused names such as Himatsingka Seide and Trident (both derive about 70-80 percent of their annual export revenue from the US).

These include the Indian rupee's steep depreciation against the US dollar since April 2018, improving cost competitiveness of Indian players (vis-a-vis those in China and Pakistan), and gradual restocking by US retailers after a phase of inventory pruning in the past.

Himatsingka and Trident have witnessed a sharp price correction over the past year and also happen to be in a time correction phase since the last 2-3 months. Both stocks trade at nearly 8 times their FY20 projected earnings, thus making them consideration-worthy for the long haul.

Q2 review

Sales (Rs crore)			
Company	Q2 FY19	Q2 FY18	YoY
Himatsingka Seide	665.96	578.5	15.1%
Trident	1,391.5	1,120.53	24.2%

Source: Moneycontrol Research

Himatsingka's top-line growth was led by brands, comprising 80-85 percent of annual turnover. Margin expansion was restricted due to higher overheads for setting up the terry towel unit.

For Trident, sales growth was aided by healthy volume growth in the home textile segment and a steady performance in the paper-cum-chemical segment.

EBITDA margins	Q2 FY19	Q2 FY18	YoY
Himatsingka Seide	18.2%	17.2%	101 bps
Trident	18.8%	15.5%	329 bps
PAT margins	**Q2 FY19**	**Q2 FY18**	**YoY**
Himatsingka Seide	7.9%	8.7%	-82 bps
Trident	7.8%	4.5%	330 bps

Source: Moneycontrol Research

Reduced raw material prices, lower employee costs and a higher share of sales from premium bed linen products led to a noticeable uptick in operating margins.

The path ahead

Himatsingka Seide

Integration of licensed international brands (such as Tommy Hilfiger, Copper Fit, Calvin Klein Home) with the company's own brands (Pimacott, Organicott, Atmosphere) will help increase the contribution of branded home textile products to yearly sales. Since these variants fetch better realisations vis-à-vis unbranded ones, it would be relatively easier to pass on input cost increases to the importers.

Higher utilisation rates at the expanded 23 million metres per annum (mmpa) bed sheet manufacturing unit will have a positive rub-off on revenues and margins.

The company's terry towel plant, with a capacity of 25,000 tonnes per annum, is likely to be commercialised in H1FY20. This will enable it to tap a wider audience abroad.

The yarn spinning facility, with a capacity of 2,11,000 spindles, has stabilised operationally. Since almost the entire output will be captively consumed to manufacture fabric for bed sheets, margins are anticipated to go up in due course.

To reduce dependence on the US markets, the company is exploring new export opportunities in continental Europe.

Despite the conclusion of capex activities over the next 3-6 months, elevated debt levels and higher depreciation charges (pertaining to the to-be-shortly-commissioned terry towel unit) could take a toll on the bottom-line margins.

Trident

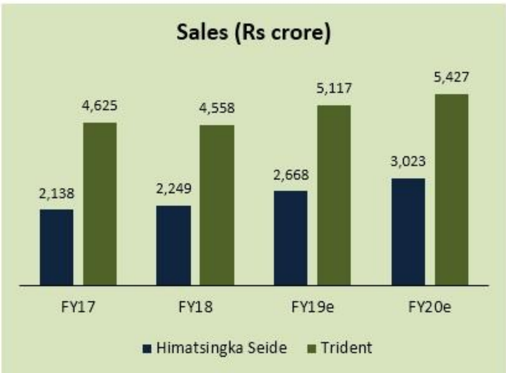
In H1 FY19, utilisation levels at the company's bed/bath facilities stood at 58/49 percent, respectively. Ramping up these capacities to 60-70 percent in both categories by FY20 will be crucial in terms of top-line maximisation and margin accretion.

The company pared long-term debt to the tune of Rs 260 crore in H1FY19, thus reducing its debt-to-equity ratio to 0.7x as on September 30, 2018. Going forward, on the back of favourable cash flows, the management aims to reduce the degree of dependence on borrowed funds. This, in turn, would strengthen the bottom-line.

The share of high-margin copier paper to yearly paper sales is slated to increase in the coming fiscals from the present mark of 15-20 percent. The recently observed increase in pulp (raw material for manufacturing paper sheets) prices, growing demand, shutdown of paper factories in China, and onset of the publishing season in Q4 (exams across educational institutes/boards pan-India) should help derive higher realisations for paper too, thereby bolstering its profitability prospects.

The scale of captive consumption of cotton yarn (for manufacturing bed and bath linen fabric) is anticipated to go up progressively. This should result in operating leverage.

Outlook



Source: Moneycontrol Research, Reuters

Notwithstanding the positives mentioned above, some sectoral risks shouldn't be overlooked.

For instance, raw material (cotton) prices are unlikely to cool off in the near-term and could exert downward pressure on margins. Unhedged cash flows may impact earnings as well.

Source moneycontrol.com- Dec 28, 2018

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