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IBTEX No. 111 of 2017 June 02, 2017

USD 64.43 | EUR 72.27 | GBP 82.88 | JPY 0.58

Cotton Market (01-06-2017)

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

Rs./Bale	Rs./Candy	USD Cent/lb
20270	42400	**83.93**

Domestic Futures Price (Ex. Gin), May

Rs./Bale	Rs./Candy	USD Cent/lb
21000	43927	**86.95**

International Futures Price

NY ICE USD Cents/lb (July2017)	77.22
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**6.94**
Cotlook A Index – Physical	**87.20**

Cotton guide:

Cotton market has breached the long period moving average of 100-day SMA at 77 cents while on Wednesday the counter closed at 76.98 and the same this morning is seen trading at 76.85 cents per pound. Since market has cleared the support level we believe the July future at ICE contract may remain vulnerable.

We believe now cotton price may approach to hit the recent low of 76.17 cents witnessed on 11h of May 2017. For the short term the 76.17 would be considered as strong support levels while 77.70 would be treated as resistance point. Overall now the trend looks bearish and we recommend selling from higher levels.

Currency Guide:

Indian rupee trades little changed near 64.5 levels against the US dollar. Weighing on rupee is disappointing GDP data. India's GDP rose 6.1% in Q1 as against market expectations of 7.1% growth. The slower growth is attributed to continued effect of demonetization.

Also weighing on currency is choppiness in global equity market amid uncertainty about UK elections, China and Trump. However, supporting rupee is general weakness in US dollar amid Fed and Trump uncertainty. Rupee may trade in a range of 64.35-64.6 and bias may remain weak.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

USA: Epigenetic modification for better cotton coming up

With prices down and weather patterns unpredictable, America's cotton farmers are facing tough times. But a new research by at the University of Texas at Austin may offer a break for the industry. The research takes the first step toward a new way of breeding heartier, more productive cotton through a process called epigenetic modification.

The research has been carried out by a team of scientists led by Z Jeffrey Chen, D J Sibley Centennial Professor of plant molecular genetics in the department of molecular biosciences at Texas A&M University and Nanjing Agricultural University in China. It has been published in the journal Genome Biology, and funded by the US National Science Foundation and the National Natural Science Foundation of China.

In recent decades, scientists have discovered that many traits in living things are controlled not just by their genetics - what's written in the code of their DNA - but also by processes outside their DNA that determine whether, when and how much the genes are expressed, known as epigenetics. This opens up the possibility of entirely new ways to breed plants and animals. By selectively turning gene expression on and off, breeders could create new varieties without altering the genes.

In the study, the researchers identified more than 500 genes that are epigenetically modified between wild cotton varieties and domesticated cotton, some of which are known to relate to agronomic and domestication traits.

This information could aid selection for the kinds of traits that breeders want to alter, like fibre yield or resistance to drought, heat or pests. For example, varieties of wild cotton might harbour genes that help them respond better to drought, but have been epigenetically silenced in domesticated cotton.

"This understanding will allow us to supplement genetic breeding with epigenetic breeding. Since we know now how epigenetic changes affect flowering and stress responses, you could reactivate stress-responsive genes in domesticated cotton," says Chen.

The team says that it produced a "methylome" - a list of genes and genetic elements that have been switched on or off through a natural process called DNA methylation. A methylome provides important clues for biotechnology firms that want to adapt crops through epigenetic modification. This methylome covers the most widely grown form of cotton, known as upland or American cotton; its cousin, pima or Egyptian cotton; and their wild relatives, while showing how these plants changed over more than a million years.

"Knowing how the methylome changed during evolution and domestication will help bring this technology one step closer to reality," says Chen.

Cotton is the top fibre crop grown in the world, with more than 150 countries involved in cotton export and import. Annual business revenue stimulated by cotton in the US economy exceeds $100 billion, making it America's number one value-added crop.

The researchers discovered changes in DNA methylation occurred as wild varieties combined to form hybrids, the hybrids adapted to changes in their environment and finally, humans domesticated them. One key finding is that the change that allowed cotton to go from a plant adapted to grow only in the tropics to one that grows in many parts of the world was not a genetic change, but an epigenetic one.

The researchers found that wild cotton contains a methylated gene that prevents it from flowering when daylight hours are long - as they are in the summer in many places, including the United States and China.

In domesticated cotton, the same gene lost this methylation, allowing the gene to be expressed, an epigenetic change that allowed cotton to go global.

Chen says modern breeders can modify gene methylation with chemicals or through modified gene-editing technologies such as CRISPR/Cas9. These methods could allow breeders to make targeted changes to a plant's epigenome and create new breeds with improved traits.

Epigenetic breeding could be applied not just to cotton but to many other crops such as wheat, canola, coffee, potatoes, bananas and corn.

The new research builds on the most complete genetic sequence map of American (or Upland) cotton to date, which was also developed by Chen and his collaborators in 2015.

Earlier research traced the origins of domesticated cotton back 1.5 million years, when two different wild species formed a hybrid that eventually gave rise to modern upland and pima cotton species.

Chen and his team found that the DNA methylation changes in a similar hybrid made today were shared with those in wild and cultivated cottons, suggesting that these changes have persisted through evolution, selection and domestication. That's good news for breeders who want to be sure that changes they make today won't quickly fade away in future generations.

Source: fibre2fashion.com- June 01, 2017

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Cambodia's garment sector exports more, employs less

Exports from Cambodia's garment and footwear sector continued to grow in 2016, rising by 7.2 per cent to $7.3 billion, but the number of exporting factories officially registered in the sector fell by 10.4 per cent and the number of workers declined by 2.9 per cent, compared to 2015, according to the sixth edition of the ILO's Cambodian bulletin.

The latest issue of the ILO's Cambodian garment and footwear sector bulletin identified three main factors which may have contributed to the divergence between strong exports and weaker employment and enterprise creation. These factors include a rise in the industry's productivity, statistical problems with the measurement of employment and factory numbers, and an increase in production in subcontracting factories.

Maurizio Bussi, director of the ILO country office for Thailand, Cambodia and Lao People's Democratic Republic, commented: "A rise in employment and production in subcontracting factories could be a concerning development if subcontracting is being used as a way to undercut regulations, including labour law and the minimum wage".

Unlike registered exporting factories, subcontractors are not monitored by Better Factories Cambodia and also may receive less attention from national enforcement agencies.

“The situation should be carefully monitored by stakeholders and relevant agencies of the Royal Government of Cambodia,” said Bussi.

According to the bulletin, garments and footwear remain the most important of Cambodia’s exports, accounting for 78 per cent of the country’s total merchandise exports in 2016.

The EU remains the most important market destination for Cambodia’s garment and footwear exports, with the US being second.

The sector’s exports to the EU and US combined accounted for only 65 per cent in 2016, down from 72 per cent in 2015, with an increasing share going to markets outside the US and EU, notably Japan and Canada.

Average monthly earnings, including overtime, of Cambodia’s garment and footwear workers increased from $145 in 2014 to $175 in 2015 to $195 in 2016. Adjusted for inflation, real average monthly wages/earnings were eight per cent higher in 2016 than they were in 2015.

The Bulletin has been published within the framework of the ‘Labour standards in global supply chains’ programme financed by the Federal Ministry of Economic Cooperation and Development (BMZ) on behalf of the Government of the Federal Republic of Germany.

Source: fibre2fashion.com - June 01, 2017

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Bangladesh lowers corporate tax to 15% in Budget FY18

Reduction of corporate tax from the current 20 per cent to 15 per cent for the country's readymade garment export sector has been proposed in Budget 2017-18 presented in Bangladeshi parliament.

For readymade garment companies possessing internationally recognised green building certification, the Budget proposes reduction of tax rate to 14 per cent.

"Readymade garments sector is playing a vital role in the economic development and employment generation of the country.

This sector is under manifold pressure due to adversities in the international market and claiming cash incentives along with withdrawal of withholding tax.

Considering the contribution of this sector in the economic growth and employment generation, we have been providing various incentives and tax benefits for them.

Withholding tax rate on readymade garments export is currently 0.70 percent and they are enjoying reduced corporate tax rate of 20 percent. I propose to reduce the corporate tax rate to 15 percent for this sector," finance minister AMA Muhith said in his Budget Speech.

Stating that the government plans to integrate the issue of environment in its tax policy, Muhith said, he proposes to "reduce the tax rate of a readymade garments company to 14 percent if the factory of such company has an internationally recognised green building certification."

To encourage employment of more women in the readymade garment sector, the government will continue its efforts to expand the sector together with improving its working environment, he said.

Source: fibre2fashion.com - June 01, 2017

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Vietnam: VITAS to host seminar on sustainable textile industry

Vietnam Textile and Apparel Association (VITAS) together with the Korea Institute of Industrial Technology (KITECH) will host a seminar on sustainable textile industry on July 13, 2017.

The seminar on 'smart manufacturing system for sustainable textile industry' will be a boost for textile industries in Vietnam to become a part of industrial revolution 4.0.

The seminar that will be held in Hanoi, the capital of Vietnam, is a part of the joint collaboration between the governments of Vietnam and Republic of Korea, said the organisers at a media conference. A memorandum of understanding was signed by both the countries in December 2016.

It is expected that the textile industry will benefit from the smart manufacturing solution in terms of cost efficiency, increase in production, efficient human resources and cordial working condition.

The seminar aims to increase the capacity of the textile industry by fulfilling the demands of the digital world and industrial revolution 4.0, said Park Jun Ho, senior researcher and former director of KITECH Vietnam office.

Under the Republic of Korea, KITECH is the only research and development (R&D) institute in the textile industry, with representative offices in the US, China, Indonesia and Vietnam.

Source: fibre2fashion.com - June 01, 2017

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Why Manufacturers Are Turning to Central America for Quick-Turn Apparel

The demise of a free-trade agreement between the United States and several Asian countries is breathing new life into the Guatemalan apparel industry.

With intense competition heating up around the world for cheap labor, Guatemala is not the least expensive place for hourly wages, but it is a member of the Dominican Republic–Central America Free Trade Agreement between the United States and six Central American countries. That means that clothing made from fabric and materials coming from the region gets duty-free entry into the United States, lopping off up to 32 percent in tariffs.

And with retailers looking for faster turn on their merchandise, it's a lot more convenient to hop on a six-hour plane flight and be in Guatemala, where there is only one hour's time difference in the summer between Los Angeles and Guatemala City.

Fast turn times was one of the reasons that David Ehrenberg—cofounder of the socks, underwear and T-shirt label **Pair of Thieves**—was checking out factories during the recent **Apparel Sourcing Show**, held May 23–25 in Guatemala City.

The Los Angeles label, sold at **Target** and **Macy's**, produces mostly in China, but Ehrenberg is eying Central America for faster turns to keep items fresh.

"It's a lot nicer to be closer to your manufacturing base and CAFTA is definitely good," Ehrenberg said.

Quicker production time was also a driving force for Jenna Hansen, the director of product at **Taylor Stitch**, a casual men's and women's clothing label based in San Francisco. About 50 percent of the company's production is done in the United States with the rest in countries such as Portugal, China and Mexico. "We don't do much production in Central America, so we are looking to increase production here because of the quick turn and the great quality here," Hansen said.

At **Liztex**, the largest Central American textile mill located outside Guatemala City, there has been an upsurge in inquires about woven and knit fabric. “Business is growing dramatically,” said Keith Hull, the new chief executive of the huge mill established in the 1950s by the Habie family.

“One of the reasons is because of the Trans-Pacific Partnership [free-trade agreement]. A lot of people thought they would be able to go to the Pacific Rim to produce. Now they can’t with that being canceled, and they are coming back here because we’re duty-free,” said Hull, a former chief operating officer at **Avondale Mills**. “I think the brands and the retailers are scratching their heads and trying to figure out the **Zara** model. The retailers who thought they had a bulletproof formula have found they don’t. If they don’t sell their merchandise quickly, then it is dramatically marked down or sold to **TJ Maxx**.”

The importance of fast fashion is being revisited by **Sae-A Trading Co.**, a huge South Korean conglomeration that has four cut-and-sew factories in Guatemala City that make T-shirts and other items for retail chains such as Target and **Walmart**.

Last September, Sae-A, with about 4,000 workers in Guatemala and 60,000 worldwide, employed U.S. designer Cynthia Steffe as its creative director in New York to develop new fabrics with a soft feel and cleaner surfaces to give styles a more sophisticated and updated appearance.

On her first visit to Central America, Steffe toured textile mills in Guatemala, El Salvador and Nicaragua. For her second visit, she was at the Apparel Sourcing Show with Debora Moon, Sae-A’s senior vice president, to work on fabrics and styles that fit in with the fast-fashion production cycle. Moon said Sae-A was already working with unnamed customers to sell these goods.

Making a difference

With so much competition in Central America, Guatemalan apparel and textile factories are working to differentiate themselves from their regional and global peers.

At the **Eltitex Group**, one of the largest manufacturers in Central America of narrow elastic fabrics, sustainability and efficiency with modern machinery are the goals of the company founded in 1990 by Dr. Antonio Hage, a physician who turned his attention to manufacturing after completing his medical studies.

Hage said the company currently recovers 40 percent of the water used in production with a waste-water treatment and recovery plant. By the end of the year, he wants to increase that to 80 percent.

The factory, which employs 250 workers and has row upon row of sophisticated American and European machinery, exports about 90 percent of its product for use in labels such as **Nike**, **Puma**, **Adidas** and **Under Armour**.

Hage said he started his ecological push in 2003 and he continues to push with the goal of recuperating 100 percent of the water used in making narrow elastic fabrics. “You have to be innovative,” he said. “That is why we are sustainable.”

Coming up with a cutting-edge concept was the reason that **Iris Textiles** started a new division called The New Denim Project, which makes recycled yarns and fabrics out of denim scraps left on the factory floor.

For years, the Guatemalan company made woven fabric used for diapers and kitchen cloths and tabletop products. But the company, launched in 1956 by Peter Engelberg, wasn’t expanding as fast as it could. When his granddaughter Arianne Engelberg returned from Israel five years ago to work at the family company, she helped develop the concept of making recycled denim yarn and fabric.

“When I came back, my family and I started brainstorming about how to revamp the company, which was struggling,” Arianne said. “My father was already using recycled cotton to make his woven fabrics, something that started in the 1990s when there was the cotton crIris and prices were high.”

Brainstorming resulted in a line of eco denim fabric and products launched in 2013. The company’s recycled fabric is used for everything from weekend bags to wearing apparel. Last year, a joint project between Iris Textiles was established with **Whole Foods Market** and **West Elm** to provide a 12-

piece limited edition of tabletop and kitchen items made of recycled denim fabric.

The Engelberg family also works with **Industry of All Nations** in Los Angeles, which makes ponchos, jackets, shorts and dresses from the recycled denim fabric.

With this new recycled-denim concept, Iris Textiles is hoping to double its revenues in three years. “When we started the project, the idea was to not blend in with the rest of the world or Asia,” Arianne Engelberg said.

“Clients are not just looking for cheap products but for a story and for something made in a responsible manner. We thought eventually this will be the norm and not the exception. So why not start now?”

Source: apparelnews.net- June 01, 2017

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GSP Plus status boosts Pak exports to EU 38pc

Federal Minister for Commerce, Engr. Khurram Dastgir Khan, Thursday, said that that the trade Incentives extended to Pakistan under the GSP Plus by EU had played a positive role in boosting Pakistan’s exports and in stabilizing the elected government of Pakistan. Pakistan’s exports to EU had increased by 38% from 4.25 billion Euros in 2013 to 6.28 billion in 2016.

Garments exports to European Union (EU) increased by 75%” “The President of Pakistan, today in his speech in the Joint Session of both the houses of the Parliament, also praised the positive role of European Union (EU)” added the minister.

GSP Plus is a unique system of concessions developed by the EU. No other market in the world offers such liberal concessions i.e., duty-free access to more than 90 percent products unilaterally to a few developing countries in return for the commitment of the beneficiary countries to adopt and implement principles of good governance and sustainable development, as enshrined in 27 Core Conventions of United Nations.

The duty free access is helping Pakistani products to compete with products originating from Bangladesh, Vietnam and Turkey and many other countries.

Minister said that EU is the largest market for Pakistani goods in the world and under GSP Plus, Pakistani goods have duty free access in 28 EU member states. Textile sector has been a major beneficiary of EU's GSP Plus Scheme. Pakistan's Exports of Textiles have increased by 55% in value terms in 2016 over 2013 and Pakistan's exports also registered an increase of 33% in terms of quantity during the same period.

The Minister said that as a result of GSP Plus Pakistan exports to EU registered an impressive increase of 38 percent in 2016 over 2013. Pakistan's exports to EU have increased from 4.52 billion Euros in 2013 to 6.28 billion in 2016. Pakistan's exports of textiles to EU have increased by 55% during the same period.

As a result of GSP Plus arrangement, out of Twenty Eight (28) EU countries, Pakistan's exports have registered increase in Twenty Six (26) countries. Out of these twenty six countries, ten EU member countries are such in which Pakistan's exports have increased by 50% or more while eight countries are such where Pakistani exports have risen by 25%.

In textile, Garments and Hosiery sectors Pakistani exports to Europe are significant and have registered 75.7% increase. Likewise, in home Textile sector exports to EU have increased by 60%, in Footwear the increase is 26% and in Plastic it is also 26%.

Source: pakobserver.net- June 01, 2017

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H&M, Luxury Fashion Brands Vow to Beef Up "Circular" Clothing Initiative

H&M, home of the trendy jumpsuit you'll probably toss out at the end of the season, is in an interesting position. On one hand, they're a major fast fashion retailer, churning out new products faster than you can post your #OOTD on Instagram. On the other hand, they're becoming increasingly competitive with high-end fashion labels through their famous series of designer collabs and a focus on sustainability.

That last goal is raising some eyebrows. Last month at the annual Copenhagen Fashion Summit, H&M sat down with major brands like Gucci and Balenciaga to talk sustainability, reports WWD. Specifically, they talked "circular" apparel.

A quick lesson in terminology: Recyclable clothes — an initiative H&M has been on top of since 2013 — take the heaps of discards produced by the fast fashion industry and turns them into new textiles that can be reused. Circular apparel, however, is further down the sustainability spectrum.

"A product that is recyclable is not necessarily always sustainable from the standpoint of holistic environmental and human health, safety and responsibility," Annie Gullingsrud, director of Cradle to Cradle Product Innovation Institute's textiles and apparel sector, told WWD. "A circular material refers to safe ingredients, perpetually cycled, managed in ways that respect humans and the environment."

While the commitment to move to a deeper level of sustainability is huge for a major retailer like H&M, it could also be called greenwashing. It's still a fast fashion brand which means you probably won't be cherishing your H&M grommet sweater for a lifetime the way you would a Balenciaga piece.

Meanwhile, despite the prominent focus on eco-friendly fashion, H&M is still facing criticism for other aspects of production. Earlier this year, a supply factory in Myanmar was damaged when labor protests got violent, The Guardian reported. H&M responded by putting their relationship with the factory on hold. In general, the fashion and textile industry faces some serious heat for labor exploitation and sweatshop-like conditions around the globe — a reality H&M has openly acknowledged.

In an announcement made this February, the Swedish retailer promised to have proper pay structures and working conditions in place in all of its main supply factories by 2018.

Luckily, that's totally in line with the promise of creating circular apparel. "Ultimately, our goal is to ensure that all materials used throughout the fashion industry are circularly designed and verified as safe and healthy for humans and our environment," Gullingsrud said.

That means the entire process by which you get your hands on your next pair of swaggy pants needs to be eco-conscious and human-conscious. If that's the case, you can feel a little less guilty about all those trendy, one season only buys.

Source: allure.com - June 01, 2017

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China: Operation status of cotton yarn plants better than last year

Sales of cotton yarn have weakened apparently in recent days and price slips weakly. Profit of cotton yarn plants has been squeezed. By convention, cotton yarn mills will see decreasing orders and slacker sales in end-May or early-Jun. How about this year? Operation status of cotton yarn plants will be analyzed in the following part.

Firstly, profit of cotton yarns in Jan-May, 2017 was better than past years.

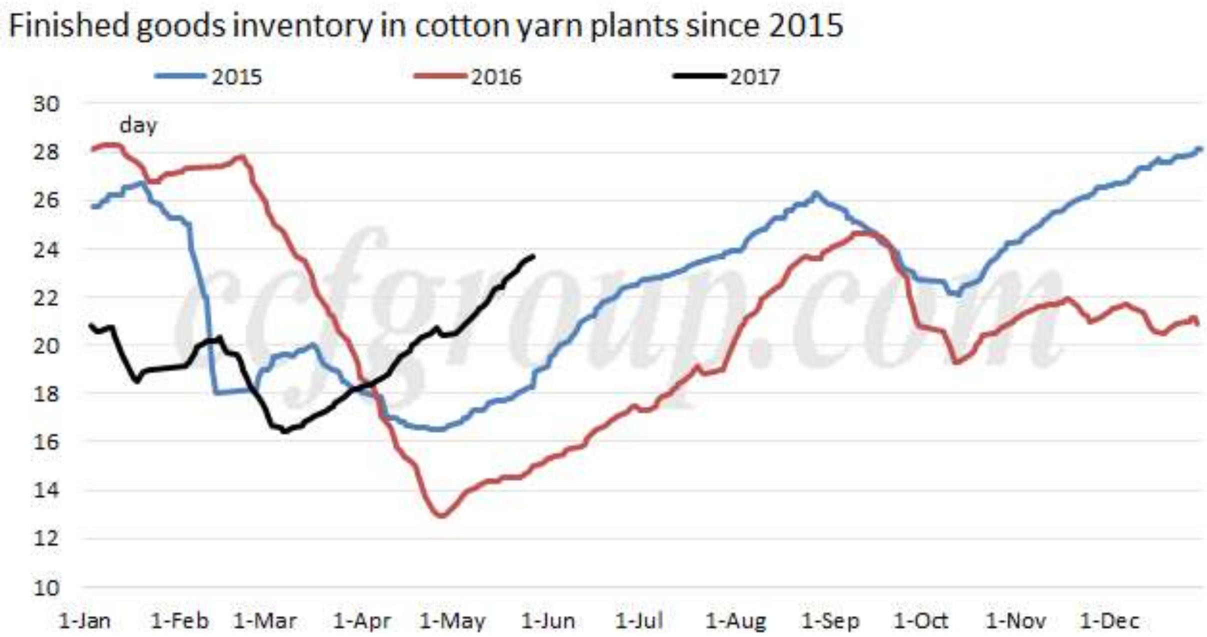
Average spot profit of cotton yarn since 2011		
Unit: yuan/mt	Jan-May average	Yearly average
2011	-73	333
2012	0	-61
2013	-549	-486
2014	-488	93
2015	265	174
2016	-254	27
2017	363	?

Profit of cotton yarn was in positive territory in Jan-May, 2017, while largely in negative territory during the same period of the past 7 years. Cotton yarn plants witnessed minor margins in 2014-2016 and may be profitable this year.

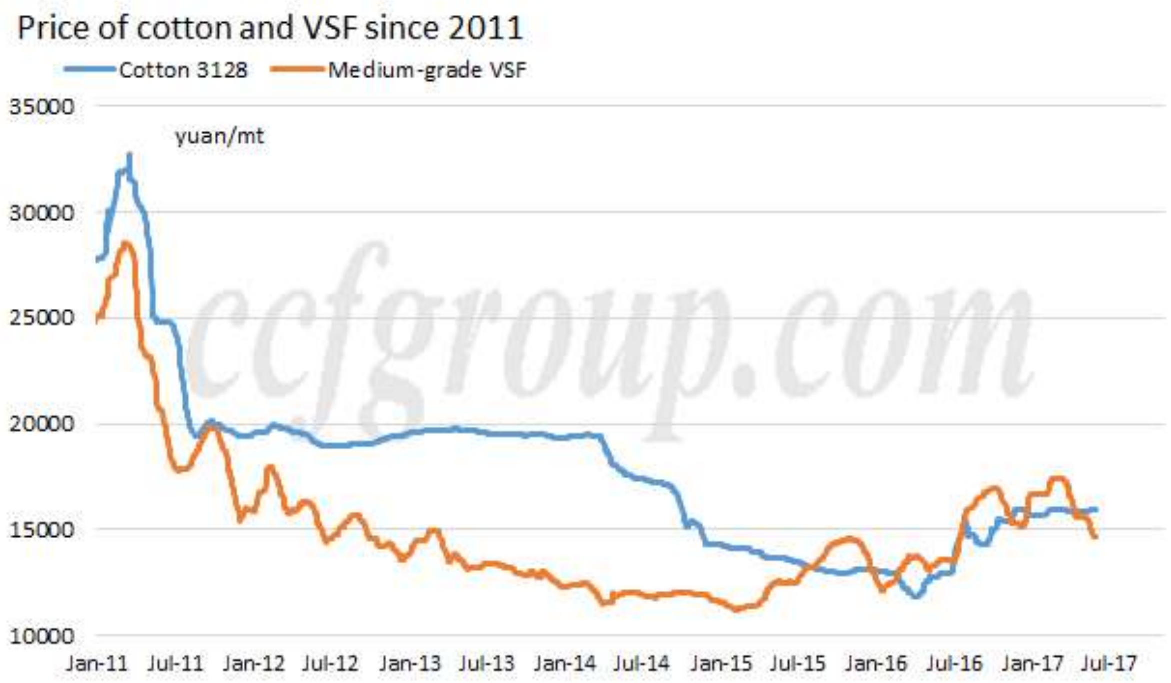
Secondly, average cotton yarn stocks gradually decline.

Average yarn stocks (including cotton yarn, rayon yarn and polyester yarn) gradually reduced since 2012, and average inventory was around 16.3 days, down by 1.7 days on the year and down by 13.6 days compared with 2012.

As for cotton yarn inventory, it slipped gradually, at 19.6 days in Jan-May, 2017, down by 1.5 days compared with the same period of last year. Peak season came earlier this year, resulting into rapidly reducing cotton yarn stocks in Apr, but stocks of cotton yarn slowly piled up after Apr, and the tempo sped up in May.



Cotton yarn stocks were low at the beginning of this year, but were high in past years, slowly accumulating since this mid-Mar. Average cotton yarn inventory was lower than the corresponding period of last year in Jan-May, 2017, while stocks of intermediate links and downstream weavers piled up, which did not indicate that downstream consumption has turned better.

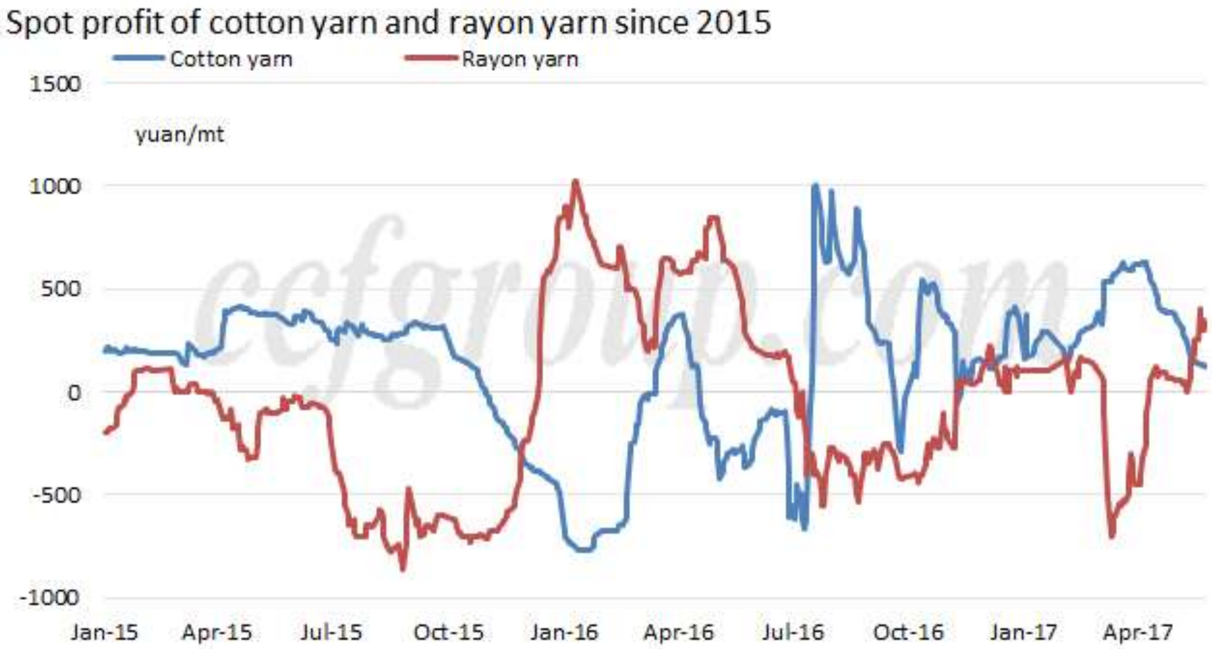


Price of VSF was largely higher than that of cotton since the second half of 2015, while situation reversed from late-Apr, 2017, and such circumstance has lasted for more than a month.

Price of VSF is expected to be in rational range now, having upward potential, while that of spot cotton is more likely to be hemmed into a tight range in short run, which may lead to narrower price spread between cotton and VSF. From the perspective of absolute price, some spinners may add VSF consumption to replace cotton, but the scale may be limited. Apart from price, profit is another key factor needing comparison.

Profit of cotton yarn was apparently higher than that of rayon yarn since the second half of 2016, with disparity higher above 1,000yuan/mt. Margins of cotton yarn gradually narrowed since mid-Apr, 2017, but most cotton yarn plants still witnessed minor margins now, and the profit could be around 300-500yuan/mt based on reserved cotton price.

However, profit of rayon yarn plants was meager although it has improved slightly with decreasing VSF price recently.



It is known that cotton yarn plants will not consider turning to produce rayon yarn if there is no long-term profitable chance, and they would rather adjust feedstock proportion and manufacture blended yarns.

All in all, profit of cotton yarn is apparently better than past years, and average stocks are lower than past years too. Cotton yarn plants see better operation status by now. In view of price spread and profit of VSF and cotton, the substitute effect between VSF and cotton should be noted again, while the scale is supposed to be capped.

Source: ccfgroup.com - June 01, 2017

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Vietnam prepares draft plan to restructure industry

Vietnam government has prepared a draft plan on the country's industrial restructuring during 2017-2020, which needs to be fine tuned, according to experts. The Ministry of Industry and Trade (MoIT) should clarify weaknesses and bottlenecks in the industrial sector to come out with a better plan on industrial restructuring, they said at a workshop.

The workshop in Hanoi was organised by the MoIT and the European Trade Policy and Investment Support Project (MUTRAP) to get feedback on the draft plan on Vietnam's industrial restructuring for 2017-2020, according to a Vietnamese news agency report.

Industrial production in Vietnam has surged by nearly 3.5 times from 350 trillion VND (15.4 billion USD) to 1,170 trillion VND (51.5 billion USD) over the last 10 years. It makes up about 31-32 per cent of the country's GDP, according to the MoIT. Electronics, textile-garment and footwear have become the key export items, accounting for over 60 per cent of the country's total export revenue.

MoIT deputy minister Cao Quoc Hung said the country still ranked 101st among 143 countries in terms of per capita added value in processing and manufacturing industries. Its industrial labour productivity was outpaced by developed nations and other countries in the region. Therefore, a restructuring plan has been prepared for industrial restructuring, the report said.

Speakig about the plan, Le Tien Truong, general director of the Vietnam National Textile and Garment Group, said parts of data in the draft on the textile and garment industry, such as labour productivity, added value and import were incorrect. Therefore, the plan's reliability remained modest and needed revision.

Besides, the plan had not laid any industrial restructuring process, he noted, elaborating that the plan said labour productivity must be raised by five per cent to improve competitiveness but did not mention any processes to realise that target, the report said.

Vietnam ranks fifth among the countries with highest labour productivity in fibre and textile production. It follows China in labour productivity in garment manufacturing.

To promote textile-garment productivity, the key solution was updating technology and equipment.

If the plan named improving manpower management and training the key solution, it would be a wrong direction, Truong said.

Nguyen Tue Anh, deputy director of the Central Institute for Economic Management, said the MoIT's plan needed to clarify the bottlenecks and their causes in the development of industries so as to devise effective solutions.

Director General of the MoIT's Planning Department Duong Duy Hung admitted that it was necessary to have a clearer plan which must point out major bottlenecks and detail restructuring processes in order to focus resources on right areas for substantive improvements.

The MoIT would gather more opinions to fine-tune the draft plan.

Source: fibre2fashion.com - June 02, 2017

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NATIONAL NEWS

Textile & apparel industry looks keenly at GST rates

As we all wait anxiously for the GST Council to decide upon the rates for the textile and apparel industry on June 3, 2017, the industry has decided to voice its opinion in favour of a uniform taxation.

There is virtual consensus in the industry for seamless application of the GST throughout the supply chain at a moderate uniform tax rate, without any exemptions at any point in the supply chain. Taxation of all segments of the industry at a single uniform rate has been defined as 'critical' for this consensus to prevail.

The GST provides a historic opportunity for simplifying the tax structure and promoting fibre neutrality, innovation, technology development and productive efficiency in the sector. It can play a central role in accelerating growth in the domestic market, thereby enabling India to become a significant player in the international markets.

According to industry veterans, an extension of the GST to both fabrics and apparel is expected to lead to a very substantial expansion of the tax base. Assuming even a modest compliance in the sector, a 5% GST would generate revenues to the tune of Rs. 11,000 crores, a three-fold increase over current revenues from the sector.

A low uniform GST rate would also encourage voluntary compliance and get rid of all competitive distortions arising out of the current differential tax regime.

Indications are that the GST Council is in general supportive of this structure. However, some sections wish to continue the preferential tax regime for cotton fabrics and for unbranded garments.

Whatever the merits of such a differential tax regime, it would be bad politics and bad economics. Historical experience shows that selective application of tax to this sector at higher rates would encounter significant political resistance, be perceived as inflationary, be subject to leakages, and be detrimental to job creation and growth of the sector.

Role of the Textile and Apparel Sector

The textile and apparel sector plays a critical role in the Indian economy. Next to food, it is the single largest component of the consumer basket. Its share of GDP and exports are 6% and 13% respectively. The sector is the second largest employer after agriculture with direct employment of over 5 crore and indirect employment of over 6 crore people.

The apparel sector in particular is the most labour intensive sector in the manufacturing industry. It is 80-fold more labour intensive than the automotive industry and 240-fold more intensive than the steel sector. The sector is also a vehicle of social transformation, particularly suitable for employment of women.

The domestic industry is poised for exponential growth over the next decade . Per capita consumption is likely to grow 2-3x by 2025.The domestic demand provides an opportunity to attract new investment in manufacturing. Over 20 million new jobs can be created by the growth in domestic consumption alone.

India is one of the unique countries in the world, which has large garment production base, supported by an even larger domestic market. The domestic market provides a natural hedge to the uncertainties of global demand, says Rahul Mehta, President CMAI.

Challenges Faced by the Indian Textile and Apparel Sector

Industry veteran argue that amongst the key challenges faced by the Indian textile and apparel sector, the tax and tariff policy in particular has created distortions that impede India’s domestic as well as export competitiveness. The sector is characterised by small and inefficient manufacturing, arising out of the exemption from the central excise for those Rs 1.5 crores of turnover.

The current tax regime also differentiates by type of fibre (cotton vs man-made fibres), by price (for garments above Rs. 1,000), by type of product (fabrics vs garments) and by branding (branded vs unbranded garments).

As a result, the supply chain (consisting of ginning, weaving, processing, and garment manufacturing) is fragmented, and individual production units do not have the scale required for competitiveness in domestic or export markets.

The ad-hoc and fragmented application of tax leads to blocked input taxes, high compliance costs, and product categorisation disputes (example, whether saree is to be taxed as fabric or garment). It also creates opportunities for tax avoidance and gives rise to competitive distortions, which in turn creates pressures for further exemptions.

Historically, the states had transferred their powers of taxation of the textile industry to the Centre through the Additional Excise Duty (AED). After the introduction of VAT, the AED was withdrawn In 2007, and the States were empowered to levy VAT on textiles.

However, they have encountered significant resistance from dealers in applying the tax, and, as a result, the textile supply chain remains largely untaxed.

The fabrics are exempt from both Central Excise and State VAT, and garments upto Rs. 999, are exempt from excise & above Rs. 1000/- attract and excise duty 1.2% and VAT of 5%.

The aggregate revenues from this sector is a meagre Rs. 3,400 crores against a total consumption of Rs. 4.5 lakh crores.

Although there are supplementary revenues from blocked taxes on production and distribution inputs, their quantum is not large relative to the total size of the sector.

Source: economictimes.indiatimes.com- June 01, 2017

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Textiles-India Fair in Gujarat from June 30

Textiles-India 2017 Fair at Mahatma Mandir, Gandhinagar, Gujarat, from June 30 to July 2 is scheduled to be organised by Ministry of Textiles. This event – a first ever major international exhibition will be a prestigious event and Prime Minister is likely to inaugurate the event.

This mega exhibition will showcase India's strength in the entire gamut of textile and apparel value chain from fibre to fashion. During this event International conferences and round table seminar will also be held with participation from global and national leaders of industry, technical experts and senior policy makers from the Union and State Governments.

With an exhibition area of about 125,000 square metres, over 1000+ exhibitors will showcase their products and services, 2500+ International Buyers, 15000+ Domestic Buyers will be attending the show.

There will be thematic display of textile and apparel, handicrafts products, Dedicated Pavilion for Startups, Skills, R&D Sustainability, best display and design etc. all under one roof. The show will cover entire segment of Textile industry consisting display of products from exporters and stakeholders, Round table conferences, fashion show, theme pavilions of partner states Assam, Andhra Pradesh, Jharkhand with special focus state Karnataka.

Ministry of Textiles organized a Road Show on "Textiles India 2017" on Thursday at 11.00am at Hotel Deep Palace , Lucknow.

Source: millenniumpost.in - June 01, 2017

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Number of Punjab ginning units falls sharply

Successive failure of cotton crop, waterlogging and high taxation acted as deterrent for the Punjab-based ginning industry. As a result, in the past 10 years more than 85% of the units have been closed. According to data, there were around 422 units in 2007, each having a daily processing capacity of 150 bales. This number has now been reduced to 52 units in 2017 having processing capacity of 125 bales per day.

Ginning industry is a seasonal industry and is in production for 4-5 months. "The industry is in a shambles and it needs government intervention. The cotton belt comprising Malout, Bathinda, Gidderbaha, Fazilka, Kotakpura, Jaito and Muktsar used to be a hub of cotton ginning industry. But now the number of units has been reduced to 52 from 422 in 2007, which suggests that the industry is on a ventilator and needs immediate support," said Bhagwan Bansal, president, Punjab Cotton Ginners Association.

"Ginning industry in North India, especially in Punjab, is not doing well as the cotton crop in both Punjab and Haryana had a successive failure at least for five times in the past 10 years. At the same time, prices are also not favourable for the business because of high taxes in Punjab as compared to neighbouring Haryana and Rajasthan. Punjab charges 2% market fee on cotton which used to be 4% till 2012. Compared to Punjab, Haryana charges 1.6% market fee while Rajasthan charges 0.80% for new units and 1.60% for the existing units," he added.

According to ginners, another area of concern is waterlogging in most of the cotton-producing belt that led to fall in the area. According to the ginners, there is a vast scope for the ginning industry in Punjab as there is a demand of 65 lakh bales by the textile industry whereas the annual production by the ginning industry in the state is only 9.5 lakh bales. The rest of the raw material is imported from outside the state.

Naresh Bansal, another industrialist, said to revive the industry, the government must lower the market fee and bring it on a par with Rajasthan i.e. 0.80%. "Also, since it is a seasonal industry and we have to pay minimum charges for electricity which is around Rs 1 lakh per month.

Over the years because of shortage of raw material, our working has been reduced to four months from five months earlier. So, the government must waive the electricity charges to give fillip to the industry."

Source: tribuneindia.com- June 02, 2017

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VDMA Textile Care, fabric and leather technologies extends support for techtextil India's entry into garment machinery segment

Leading in apparel exports, India offers big market for textile and garment machinery

Technology-leading brands on board for the launch of Texprocess Pavilion in India

As Techtextil India gears up to expand its scope into the garment machinery segment through an exclusive Texprocess Pavilion this year, VDMA Textile Care, Fabric and Leather Technologies has come forward to announce its support for this much-awaited launch.

The support exemplifies the immense potential for trade and technology transfer between Indian and German companies - targeting the growing demand and manufacturing focus of the garment and textiles industry in India.

"With India being one of the largest producers of garments worldwide, the demand for automation solutions is increasing," said Mr. Elgar Straub, Managing Director of VDMA Textile Care, Fabric and Leather Technologies. "But the market for technical textiles is also growing steadily in India and thus is the demand for processing technologies.

The Texprocess Pavilion at Techtextil India is the ideal platform for German and European manufacturers of garment machinery and machines for the processing of technical textiles to present their technology solutions to the Indian market."

Leading in apparel exports, India offers big market for textile and garment machinery

Leading in both apparel consumption and exports, India holds the second largest textile manufacturing capacity globally with the textile machinery sector witnessing a growth of 8-10 percent year on year.

Also as the world's second largest exporter of textiles and clothing, Indian apparel manufacturers are naturally moving towards increasing their manufacturing capacities and upgrading technology, giving rise to automation garmenting processes to enter the Indian market. The Ministry of Textiles is also seen encouraging investments through increasing focus on schemes such as Technology Up-gradation Fund Scheme (TUFS).

Working together with the VDMA Textile Care, Fabric and Leather Technologies, the organizer aim to capitalize on this market need and deliver a professional platform that is purely focused on business needs of the Indian market.

This much-awaited launch has also drawn attention of the buyers from India’s largest garmenting associations - AEPC – Apparel Export promotion Council & CMAI – Clothing manufacturing of India both of whom have confirmed their support to the platform. Delegations from these key associations will be visiting the fair to identify the advancements and bring new technologies to their members.

Technology-leading brands on board for the launch of Texprocess Pavilion in India

Interest for the launch of Texprocess Pavilion has risen with the largest machinery importers IIGM Pvt Ltd & E H Turel, Mehala already on board. Mr. Pavan Kapoor, Managing Director, IIGM said: “India's diverse markets are rightly positioned to manufacture, consume and export non-traditional textile products.

Non-apparel related products have varied applications in geo thermal, wind, automotive, process industries, health care, technical textile and a multitude of applications and these industry related products need different technologies, compared to the traditional methods of manufacturing.

It is therefore very exciting to understand and learn more about the applications of these newer technologies. We consider that these segments of business would surpass the requirement of traditional textile and leather products. IIGM's participation in Techtextil India should offer detailed insights into some of these technologies."

Techtextil India, on the other hand, continues to draw participation from industry majors including Garware Wall Ropes, Welspun, Reliance, Picanol, Khosla Profil, ATE, Santex AG among others. Discussions are also under-way with companies from Germany, China, Italy, USA, Switzerland, and Japan to bring in a mix of international expertise in technical textiles and technologies on one platform.

Together, the flagship combination of Texprocess and Techtextil in India will present a grand showcase covering the entire value chain in the fields of technical textiles, nonwovens, apparel textiles and apparel and textile technology.

Source: thehindubusinessline.com- June 02, 2017

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When big brands wake up to 'modest fashion'

When Ruba Zai uploaded her first video online, the Netherlands-based Afghan student just wanted to share with other Muslim girls and women how she styled her headscarf. She had no idea that her "hijab tutorials" would be an internet hit, watched by hundreds of thousands worldwide.

The 23-year-old now blogs full time, sharing ideas for how to look trendy yet covered-up with a million Instagram followers.

Ms. Zai had tapped into a fast-growing market for so-called "modest fashion," fuelled by young, style-savvy Muslim women from London to Malaysia who have long felt their needs ignored by mainstream designers.

"I just couldn't relate at all to the clothes you see in the mainstream brands," she said from her home in Rotterdam. "When we first started talking about our style on social media, there was no interest in the fashion world in this group of people: 'They're just Muslims, why should we target them?'"

Covered-up chic

Big brands have been waking up to that call, and covered-up chic is a niche that's slowly making its way into mainstream fashion.

From exclusive designers to fast fashion chains, retailers are trying to attract millions of Muslim consumers especially around the month of Ramzan, which started last week, when many Muslims buy new clothes and dress up.

In 2014, U.S. fashion house DKNY was one of the first Western brands to launch a Ramazan collection aimed at wealthy Arab shoppers.

Since then, several others have followed suit. Dolce&Gabbana has been selling a luxury collection of abayas — long, loose robe-like dresses — and matching headscarves since 2016 in the West Asia, Paris and London. At the more affordable end of the market, Spanish chain Mango is also promoting a Ramzan collection of tunics, kaftans and maxi dresses for the second year.

'Pro hijab'

Earlier this year, Nike became the first major brand to launch a "pro hijab," a headscarf made in high-tech fabrics aimed at female Muslim athletes.

Even Marks and Spencer, that stalwart British department store known for its cardigans and practical shoes, launched a burkini — basically a full-body swimsuit — last summer.

But perhaps the most visible sign yet that mainstream fashion is embracing the Muslim market was when design houses Max Mara and Alberta Ferretti starred hijab-wearing Somali-American model Halima Aden on their catwalks for Milan Fashion Week, one of the industry's most prestigious events.

"Mainstream fashion is now talking about modest fashion as a thing. Ten years ago, if you were a brand coming from a religious background and tried to sell it in a department store, calling it a modest or Muslim brand would be a kiss of death," said Reina Lewis, a professor at the London College of Fashion.

'Not faith-specific'

While the majority of those people interested in covered-up fashion are young, cosmopolitan Muslim women, "the term 'modesty' emerged in the niche market as a useful one because it is not faith-specific," Ms. Lewis added.

Source: thehindu.com - June 01, 2017

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Indian exports to China rises sharply in first four months

After years of decline, Indian exports to China rose sharply in the first four months of this year registering a 20 per cent increase to $5.57 billion, though the trade deficit continued to persist.

Indian exports received a major boost mainly due to China increasing the steel consumption by importing big quantity of iron ore as well as gems and diamonds besides cotton materials.

The India-China trade grew by six per cent to $26.02 billion from January to April this year, according to the data of China's customs accessed by PTI here.

As per the data, the Indian exports have gone up to $5.57 billion, registering a 20 per cent increase. China's exports to India too amounted to $20.45 billion, a 14 per cent raise.

The trade deficit problem for India, however, continued. The trade deficit in the first four months amounted to $14.88 billion in favour of China.

Last year, the deficit aggregated to around $52 billion in a little over $70 billion total bilateral trade becoming a thorny issue between the two countries.

But the spurt in Indian exports to China this year showed promise of recovery, the first since iron ore exports started declining in 2013 due domestic crackdown on mines as well as China scaling down its steel production due to global economic crisis.

The trade deficit began expanding ever since the iron ore exports, the main stay of Indian exports started declining.

The iron ore exports from India to China in the first four months totalled to $1.04 billion jumped by about 45 per cent. Also, Indian exports of iron and steel rose by $218 million almost 300 per cent.

Indian diamond, gems and precious stones exports also contributed to the rise. In the first quarter this year, Indian exports of diamonds and gems and stones amounted to $558 million. India had 33.8 per cent market.

Last year India's exports of diamonds, stones and gems to China grew by 28.48 per cent to touch $2.48 billion with India emerging as top two exporters in the burgeoning Chinese market after South Africa.

Officials say there is a huge scope for Indian exports in this field as China's total volume of imports in 2016 was $15.816 billion. In 2015 China has imported $17.974 billion worth of diamond and precious stones.

Indian exports of cotton and yarn in the first four months rose to $600 million a 40 per cent increase.

Indian business and trade circles associated with the bilateral trade, however, advised caution saying that base of Indian exports continued to be small and it is to be seen whether the increase is sustainable in the long run.

But at the same there was hope of major increase as China has announced liberalisation of pharmaceutical imports. India has been pressing China to open up its pharmaceutical and IT software sectors to expand the base of Indian exports. So far, no major breakthrough have been made in both the areas, despite promises by China.

Source: timesofindia.com- June 02, 2017

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Maersk ventures into trade finance

To make overseas exports easier for Indian companies, especially SMEs, Denmark-based AP Moller - Maersk, one of the largest container shipping companies globally, has set up a new business vertical, Maersk Trade Finance.

In a nutshell, Maersk Trade Finance is a digital platform with pre-shipment and post shipment credit facilities. It enables exporters – manufacturers or traders – to not only get the cargo shipping services online but also apply for funds that can be used either to pay for the shipment or to invest in new orders.

Pilot countries

India is a pilot country for such services, followed by Singapore, the Netherlands, Spain, the US and the UAE. The funds are provided to Indian exporters in foreign currency as, being a foreign entity in India, Maersk cannot lend in rupees. It cannot finance imports either. In future, the company may consider applying for a banking licence, provided there are no alternate ways to expand the trade finance services in India.

Lending target

"Right now we are writing off loans from our own balance sheet. We've written off about $60 million for India and we intend to give about $200 million in the next 12-18 months," Vipul Sardana, CEO, Maersk Trade Finance, a former banker who joined Maersk in 2012, told *BusinessLine*.

In India, Maersk has contracted 95 companies so far, 90 per cent of which are SMEs. The funding is provided in foreign currency, which is linked to LIBOR.

According to Maersk, the rate range from LIBOR+2.5% to 5.5%, which is determined based on the financial health of the company and its history, if exists, with Maersk.

"Typically, SMEs do not get foreign currency funding, which we are able to provide, hence reducing their overall cost," Sardana added.

Market share

For Maersk, which has around 7,000 customers in India and, according to the company, enjoys 18 per cent market share here, the new trade finance vertical could not only generate additional revenue but help growing market share also, especially in the SME sector.

Cost, time and ease of access to funding are the features that Maersk is betting on. Unlike banks that generally provide trade finance, Maersk does not look at the borrower's balance sheet while considering the loan. "The goods shipped is the only thing we mandate, which serves as collateral. We do not ask for any other collateral or security, helping the SMEs to avoid the collateral trap," Sardana said.

Data analysis

The advantage of Maersk, according to Sardana, is its ability to get information about the potential borrower and their buyers from the company's database. Being in the shipping industry for more than 100 years with 130 offices worldwide, Maersk owns large data that can be used for analysing the clients' history and possible risks. "The data of 100 years is something that no bank of financial institution has," Sardana said.

The shortage of trade finance across businesses is cited as one of the main obstacles in the global commerce. Risks related to import-export operations compel lenders to raise the barriers for borrowers, making access to funds difficult for SMEs.

Source: thehindubusinessline.com- June 01, 2017

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