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IBTEX No. 243 of 2016 Dec 02, 2016

USD 68.33 | EUR 73.01 | GBP 86.19 | JPY 0.60

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
18597	38900	**72.60**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19170	40099	**74.84**

International Futures Price

NY ICE USD Cents/lb (December 2016)	71.80
ZCE Yuan/MT (January 2017)	15,830
ZCE Cotton: USD Cents/lb	**88.54**
Cotlook A Index - Physical	**80.05**

Cotton & currency guide: Cotton price in the international market continues to hold near 71 cents. A week past and the cotton counter are moving in a very sideways trend amidst no major activity in the global front. The trading volume and open interest is stable at the ICE platform. Mixed bag factors ruling in the market causing the cotton price to trade almost stable. In one hand huge arrivals coming in from the US while the export sales are increasing.

As per the recent report, the West Texas harvest is well underway under seasonable conditions. Many growers have completed activities in northern areas and have been preparing fields for winter. An Arctic front, however, is expected to enter West Texas, and thunderstorms are likely. Producers, therefore, are trying to get as much of the crop off the stalk as possible before the storms arrive. Inclement conditions are expected to linger through early next week, and light to moderate rain is forecast, which will halt harvest activities for several days. Nevertheless, many gins have backlogs of modules on their yards to continue processing at a steady pace.

Further from the export sales side, during the week ended November 24, net export sales registrations of upland cotton for shipment during the current 2016/17 season amounted to 202,300 running bales

From the domestic front, the spot Shankar-6 variety traded steady around Rs. 39450 per candy. Nationwide, daily seed cotton arrivals are estimated at roughly 120,000 lint equivalent bales (170 kgs), with Maharashtra and Gujarat accounting for around 40,000 and 35,000, respectively. According to the Cotton Corporation, cumulative new crop arrivals by November 30 were estimated at 4,662,100 lint equivalent bales (170 kgs), including over one million each from Gujarat and Maharashtra.

However, the future contract is trading modestly steady with marginal positive move on Thursday's trading session for December future trades at MCX. The December future ended the session at Rs. 19170 up by Rs. 110 from the previous day's close. By and large this entire week cotton price across bourse has been moving in a very thin range and expects the same trend to continue in the near future. The trading range for the day would be Rs. 19000 to Rs. 19300 per bale

NEWS CLIPPINGS

INTERNATIONAL NEWS

COTTON USA to Make Business Connections at Heimtextil

COTTON USA is making plans to promote U.S. cotton's quality, responsible production and innovation at the world's leading trade show for home textiles. While at Heimtextil in Frankfurt, Germany, on January 10-13, 2017, COTTON USA will seize the opportunity to offer sourcing support to the global home textile industry. As an added incentive to the hospitality industry, COTTON USA will also introduce its new hotel and travel initiative that connects COTTON USA licensed manufacturers with the hotel sector to provide U.S. cotton-rich bedding and towels. This new COTTON USA initiative allows hotel partners to specify and highlight their use of U.S. cotton-rich products so that, in turn, their guests can enjoy the safe and comfortable feeling of "home away from home" when staying at a hotel."

For four days, the COTTON USA pavilion at Heimtextil will serve as an international meeting point for the entire cotton trade, including merchants, mills, manufacturers, brands, retailers and the press. COTTON USA, Cotton Incorporated and Supima will provide comprehensive information about the global cotton market, sourcing, consumer research, and the marketing/promotional services the U.S. cotton industry offers.

Visitors to the exhibit can learn about the COTTON USA Sourcing, Marketing and Licensing Programs and about COTTON USA's collaboration with leading brands and retailers worldwide. Visitors also will be able to view innovative product samples from the new collections of international COTTON USA licensees.

COTTON USA is a premium trademark ingredient brand that identifies products made from U.S. cotton through all stages of processing and marketing. COTTON USA has strong consumer awareness and preference for COTTON USA, with more than 51,000 product lines and 3.8 billion products having proudly carried the name COTTON USA since 1989. Setting the gold standard for global best practices in cotton production, the United States is well-positioned to continue offering its valued customers steady supplies of quality fiber.

As an added boost to COTTON USA, U.S. cotton producers are leading the way in responsible cotton production practices. U.S. cotton is grown under the strongest, mandatory, enforceable and sustainable farming regulations that include long-term land conservation and lower water usage.

The U.S. system's transparency allows for constant monitoring and improvement. U.S. producers, numbering about 13,000, comply with stringent U.S. government regulatory requirements and are committed to the principle of continuous improvement.

Source: fibre2fashion.com– Dec 01, 2016

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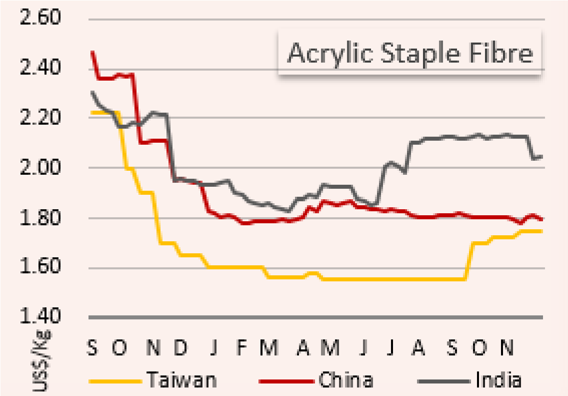
China: ASF price rolls over amid steady downstream demand

In China, ASF prices rolled over in Yuan terms in the third week of November but were down US$2 a kg due to weak currency. Medium-length fiber and cotton-type staple were stable during the week. Offers for Taiwan origin 3D bright ASF tow were unchanged, while regular specs were steady on the week.



Acrylic staple fibre prices were stable across markets in Asian seeing steady downstream demand and normal liquidity. However, weak currency in China and India pegged prices down in US$ terms.

November list prices were raised to neutralise the weak Yuan in China. However, with the downward tendency of upstream acrylonitrile market and the retreat in downstream yarn market, ASF prices can hardly see rounds of uptick. Downstream demand was still sound, keeping ASF markets active.

Sinopec raised its November list prices, with cotton-type staple 1.5D at US$1.86-1.88 a kg from Shanghai Petrochemical, US$1.83 a kg from Anqing Petrochemical and US$1.78 a kg from Qilu Petrochemical.

In Pakistan, 1.2D ASF prices rolled over on the week.

In India, offer was stable in INR terms but was down US cents 5 a kg due to weak INR on the week.

Source: yarnsandfibers.com– Dec 01, 2016

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Jakarta: Lower Gas Prices for Textile Industry Hampered by Imports

Industry Minister Airlangga Hartarto said that the plan to lower gas prices for the textile industry is still being discussed, as high volume of imports and tax harmonization have become issues that need to be addressed.

“The discussion of [gas prices] for the textile industry has not completed yet. There is problem related to imports, and it was found that some people have been using import facilities provided by manufacturers,” Airlangga said in Jakarta on Thursday, December 1, 2016.

Airlangga explained that small-scale manufacturers imported products as many as possible to be sold again. Airlangga added that there was a problem with tax harmonization, where the value added tax for imports is set at 2.5 percent, while that for domestic products is set at 10 percent.

“So, the 7.5-percent gap for the textile industry is very significant,” he said.

Achmad Sigit Dwiwahjono, director general of textile and various industries at the Industry Ministry, revealed fabrics have been the largest imported commodity in the industry, despite the fact that Indonesia’s textile industry has been integrated.

“Due to high imports, domestic industry utilization is declining. So, this must be regulated,” Sigit added.

Therefore, Sigit said that the government will resolve the issue in meeting.

Source: en.tempo.co- Dec 01, 2016

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Pakistan: 'Textile exports continue to fall, confront several issues'

A legislative body of the Upper House of parliament was informed on Thursday that the local textile industry was in a "dilapidated condition", and its exports were experiencing a declining trend due to a number of issues, including high prices of gas and electricity, high tariffs on import of input materials for industries and restructuring of loans with banks.

Mian Lateef from ChenOne group told the Senate Standing Committee on Textile Industry that at least 40 industries in Khurrianwala Industrial Estate had been closed due to these certain issues, which not only resulted in a sharp decline in industrial sector export but also rendered 400,000 people jobless.

He said that if the government resolved the issue of restructuring of bank loans of industrialists, the units could be revived, which would eventually give a $3 billion boost to the textile exports every year and produce around one million employment opportunities. He said the industrialists did not want their loans written off; they want the loans restructured so that they could stand on their feet and work for revival of their industries.

Federal Minister for Commerce Khurram Dastgir told the committee that industrialists should come up with a mechanism to separate wilful defaulters from others and determine the sustainable and unsustainable industries so that the government could facilitate them easily.

He said the government was committed to resolving all genuine issues of the textile industrialists, and it had already fulfilled a number of their demands, including provision of uninterrupted electricity and gas to the industrial units.

The meeting decided to hold a meeting in Karachi to resolve the issue of banking sector with the textile industry in which representatives of the textile mills, State Bank of Pakistan, National Bank of Pakistan and private banks would be invited.

The minister also informed the committee that despite diplomatic tension between Pakistan and India, the trade regime had not been changed by the government.

However, he said that the government had restricted the import of 500,000 cotton bales a year through the Wagah border while there was no such restriction on Karachi port. To a point raised by committee chairman Senator Mohsin Aziz that a huge quantity of raw cotton had been stopped at the Karachi port, he said that the government had not issued any notification in this regard.

The committee chairman said that the government should instead ban the value added products from the neighbouring country in a bid to protect the local textile industry.

A representative of the textile sector, however, pointed out that electric and gas prices in Pakistan were not competitive as compared to those of Bangladesh, India and Vietnam.

Khurram Dastgir said the government had also announced to make five export-oriented sectors zero-rated in the previous budget, while in the next budget the government was planning to allow all key input material used for exports, including machinery, "duty free in order to boost the exports of the country". Senator Nehal Hashmi pointed out that some industrialists had been placed in the Exit Control List (ECL) and they were not even allowed to go abroad and meet their clients. The committee recommended removal of their names from the ECL.

Source: dailytimes.com.pk - Dec 01, 2016

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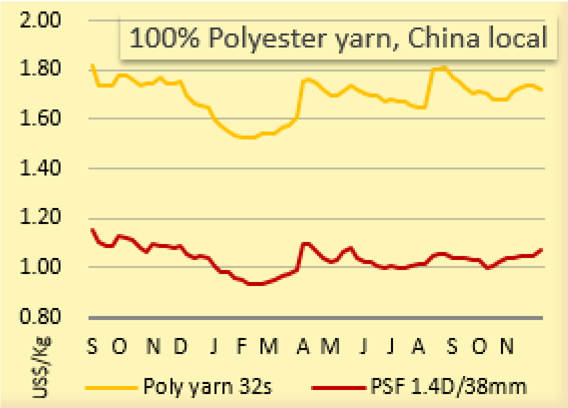
Polyester yarn price remains range-bound in Asian markets

In Shengze, offers for 32s and 45s polyester yarn were up in the third week of November. In Qiangqing, offers for 32s weaving were flat on the week. Falling Yuan did not impact pricing in US$ term.

Polyester yarn offers were stable across Asian markets. In China, in spite of large stock pressure polyester yarn were stable amid flat sales, as polyester market did not gain enough momentum to go up. Offers for spun polyester yarn in Shengze market were stable.

In Pakistan, PSF prices started rising on increased raw material costs. However, polyester continued to remain stable and cheaper than cotton yarn prices for months.



In India, polyester yarn prices rolled over given the firmness in PSF market, while demonetisation of high value notes will adversely impact trade in coming days and prices may fall.

Polyester yarn 30 knit yarn prices were up INR1 a kg (down US cents 2 due to weak INR) in Indore while they were flat in Ludhiana market.

Source: yarnsandfibers.com- Dec 01, 2016

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Bangladesh: Dilemma over trade strategy with US if TPP goes finally

A trade expert of the country has urged the policymakers to seriously consider striking a bilateral free trade agreement (BFTA) with the United States (US).

Manzur Ahmed, trade policy adviser to the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), put forward the suggestion in a note prepared for the apex trade body.

As the US President-elect Donald Trump asserted last week he would pull the US out of the Trans-Pacific Partnership (TPP) trade deal on the first day of his office, the FBCCI adviser thought that it would be a welcoming move for Bangladesh.

"Bangladesh should welcome the move and without wasting time on GSP or WTO Duty-Free Quota Free Market Access (DFQFMA) and immediately take up a pro-active initiative in establishing a bilateral free-trade arrangement with the US," he said.

The Obama administration has suspended the Generalised System of Preference (GSP) for Bangladesh in 2013 after the Rana Plaza disaster that claimed lives of more than 1,100 workers, mainly of garment industry.

"The terms of BFTA in goods, services and investment with the US should be without prejudice to the rights and obligations under the WTO agreements and respective international rights and obligations as agreed in Bangladesh-US TICFA," he added.

The bilateral trade between the two countries stood at $7.22 billion in the last fiscal year (FY16) which was $6.47 billion in FY15. Moreover, FDI from the US doubled in the last fiscal year to about $450 million from nearly $225 million in FY15.

Mr Ahmed viewed that Bangladesh has already a very liberal services, public procurement and investment policy regime open on MFN basis under its domestic regulations.

Professor Mustafizur Rahman, executive director of the Centre for Policy Dialogue (CPD), however, differed with the suggestion, saying: "It's too early to do so."

He said that 'the country is not in a position' to sign any bilateral trade deal with the US 'at this moment' or even in the 'near future.'

"It is true that Donald Trump asserted for bilateral deals and so countries like Vietnam may move in that direction," said the trade experts. "But, Vietnam has already done a hectic exercise of TPP and so they are mentally ready to sign FTA with the US."

The economist cautioned that bilateral trade deal with the US would be tied with a lot of stringent conditions like labour standard, product standard and intellectual property (IP) rights issues.

"Bangladesh is still far behind in these areas. So, we have to improve our standards and make IP regime stronger," he suggested.

Regarding US's potential pull out of the TPP, the CPD executive director said that it would bode well for Bangladesh as the country's apparel exports would not then face uneven competition with Vietnam in the US market.

"So, there is a temporary relief for Bangladesh," he said. "There is, however, a chance that other 11 member countries of the TPP may strike a deal among themselves. In that case, Bangladeshi readymade garments will face some additional competition in the markets of Australia, Canada and Japan."

Aftab-ul-Islam, former president of the American Chamber of Commerce (Amcham) in Bangladesh, also differed with the proposal of BFTA with the US as he thought that the country's export basket is quite narrow.

"BFTA with the US may open the duty-free regime for the apparel sector," he said. "But, depending on a single product, we may not be able to tap the full benefit of the free trade agreement."

He, however, opined that the US's potential coming out of the TPP will be a great relief for Bangladesh.

"If the TPP is implemented, Bangladesh would lose the level playing field, especially to Vietnam, in the apparel export markets," he added.

The business leader also expressed optimism that trade and business with the US may be easier in the coming days as Mr Trump himself is a businessman and 'knows where the shoe pinches.'

So, Bangladesh should engage more in active economic diplomacy to get better deal in terms of bilateral trade, said Mr Islam.

Both Prof Mustafiz and Mr Islam suggested Bangladesh to initiate fresh talks with the new team of the United States Trade Representative (USTR) to restore the GSP.

Source: thefinancialexpress-bd.com - Dec 02, 2016

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Climate change pushing U.S. fund managers out of apparel stocks

Retailers have long relied on sales of high-margin winter coats and boots to boost annual profits, but with the season becoming shorter and warmer, U.S. fund managers are shedding department store and apparel stocks, convinced the industry is becoming a victim of climate change.

"They desperately need to acknowledge that climate change is happening, and that they need to change how they do business," said Larry Haverty, a fund manager at Gabelli. He has sold nearly all his retail holdings because of changes in weather patterns over the last decade.

The industry's long supply lines are one reason why apparel companies and department stores struggle to adjust to warmer winters, Haverty said. The industry is also still wedded to the idea that buyers want winter coats - which tend to have margins of around 40 percent - in early October, when summer weather often lingers.

The 2015-2016 winter was the warmest on record, prompting many U.S. fund managers to abandon apparel stocks altogether. Approximately 48 percent of U.S. actively managed equity funds have zero exposure to apparel companies, up from the 38 percent of funds that shunned apparel stocks at this time last year, according to Morningstar data.

There are signs that this season will continue to be hard on apparel makers. The average temperature in October, often seen as the kick-off to winter clothing sales, was nearly 58 degrees. That was the third-warmest October on record and the warmest since 1963, according to the National Centers for Environmental Information.

The average October temperature has warmed by 0.6 degree per decade over the last 30 years, with only September having a greater increase in average warmth, the Centers said. Fifteen of the 16 warmest years on record have been in the 21st Century.

Warm weather in late November helped push retail stocks in the S&P 500 down 2 percent over the past 5 days, while the broad market was mostly flat.

Express Inc cited warm weather as hurting its sales and margins in its quarterly results announced on Thursday, and its shares skidded more than 21 percent.

Arun Daniel, a portfolio manager at J.O. Hambro Capital Management, said he has reduced his holdings of apparel companies as the cold-weather selling window becomes "tighter and tighter."

While an extremely cold winter or surprise snowstorm could lead to high sales on pent-up demand, he said, the trend of warmer winters will mean "there is going to be a price to pay for companies who are exposed to outerwear" like Columbia Sportswear Co and Burlington Stores Inc.

WARMER WEATHER OFFERINGS

Companies are starting to roll out more warm-weather products. Decker's Outdoor Corp , the maker of Ugg boots, said it will expand its non-shearling styles next year to extend the brand's seasonal relevance. The company's shares are down 6.7 percent over the last 5 days, in large part because of warm-weather concerns, according to a note from Stifel Financial.

Chris Terry, a portfolio manager at Hodges Funds, said he focuses on companies that rely less on cold weather clothing. He has been taking advantage of the sell-off in shares of American Eagle Outfitters Inc to add to his position in the company, he said. The retailer's shares fell nearly 12 percent on Wednesday after it blamed declining mall traffic for its weak holiday sales forecast.

Terry says the company looks attractive over the long run because it sells mostly denim and flannel clothing, making it less reliant on cold weather markets.

"You can wear a flannel shirt if it's 60 degrees in New York City and people think it's warm and if it's 60 degrees in Texas and people think it's cold," he said.

Source: reuters.com - Dec 01, 2016

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NATIONAL NEWS

India's Manufacturing GVA for Q2 FY17 grows 7.1%

The quarterly gross value added (GVA) at basic prices for the second quarter of fiscal 2016-17 for the manufacturing sector, which includes the textile manufacturing industry, grew by 7.1 per cent. It recorded a decrease compared to 9.2 per cent growth in the same quarter last year, according to the Indian ministry of statistics and programme implementation.

The private corporate sector growth, which has a share of over 70 per cent in the manufacturing sector, as estimated from available data of companies listed with BSE and NSE, is 11.9 per cent at current prices during Q2 of 2016-17, says the report released by the central statistics office (CSO).

The growth in quasi-corporate and unorganised segment, which includes individual proprietorships and partnerships, and khadi and village Industries, with a share of around 22 per cent in the manufacturing sector, has been estimated using the Index of Industrial Production (IIP) of manufacturing.

IIP manufacturing registered growth rate of 0.9 per cent during Q2 of 2016-17 as compared to 4.7 per cent in Q2 of 2015-16.

The overall GDP at constant (2011-12) prices in Q2 of 2016-17 is estimated at 29.63 lakh crore, as against 27.62 lakh crore in Q2 of 2015-16, showing a growth rate of 7.3 per cent.

The overall quarterly GVA at basic price at constant (2011-12) prices for Q2 of 2016-17 is estimated at 27.33 lakh crore, as against 25.52 lakh crore in Q2 of 2015-16, showing a growth rate of 7.1 per cent over the corresponding quarter of the previous year.

While the Indian GDP growth rate of 7.3 per cent in Q2 of 2016-17 is slightly higher than the growth of 7.1 per cent in the previous quarter of this fiscal, it dropped from the GDP growth of 7.6 per cent in Q2 of 2015-16.

Source: fibre2fashion.com - Dec 01 2016

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Textile industry pushes swipe machines

Due to the cash crunch and also recession in the textile industry, both the textile traders association and textile procession association had started working on a plan to deal with the situation.

The textile industry has launched a drive to install swipe machines at thousands of textile trading shops, while owners of textile processing units have started opening bank accounts for their workers to beat the cash crunch. Textile units and trading houses, which were shut since Diwali, were on partly functional after demonetisation, because of the cash crunch.

Due to the cash crunch and also recession in the textile industry, both the textile traders association and textile procession association had started working on a plan to deal with the situation.

According to the data from the trading body, there are over 55,000 textile trading shops in Surat city and over one lakh people work as packing and sales personnel in the shops on the ring road.

The Federation of Surat Textile Traders Association (FOSTTA), had on Friday last held a meeting and requested them to go for cash less trading activity by installing swipe machines in their shops and do cashless business transactions.

Over thousands of traders of textile trading body attended the meeting and agreed to the decision taken by the apex body to deal with present situation. In the meeting, officials of a private bank also remained present and explained the terms and conditions as well as the benefit of the swipe machines.

FOSTTA president Manoj Agrawal said, “In the meeting we got good support from the traders…. After installation of swipe machines, the traders have to pay monthly rent of Rs 500 and all amount swiped will directly go to the firms account registered with the bank.

The problems of local retailers would be mostly solved by this attempt, and the traders will also accept cash payments from the customers.

With the swipe machines the traders will not have to send their accountants to the bank with cash, and even the incidents of cash loot will be overcome. We are hoping that this tactic might work out. The traders are free to use facilities of other banks also. Even the payment to the employees of the shop will be done through cheques."

He further added, "The traders sending finished fabric outside Surat will do business as per their old routine, through cheques."

Apart from these there are over 5 lakh people who work in the 350 textile processing houses (Dyeing and Printing units) in the city. Due to cash crunch, the textile processing houses used to close down their units for three days in a week.

The textile processing houses also called meeting with the owners on Thursday and they discussed about the present situation. The apex body has decided that workers' banks accounts should be opened first. At the meeting, Sutex bank officials were also present. If the workers do not have any identity proof, the apex body will also make arrangements for Aadhaar cards.

Federation of South Gujarat Textile Processing Association president Jitu Vakhakria said, "We have taken help from the Sutex bank and they have allotted staff at our association office. Even we have contacted Aadhaar card people and they have also deployed staff here. Now the bank accounts of workers along with Aadhaar cards will be done here at our office.

The processing houses owners have given full cooperation in our decision and on a daily basis the bank accounts of workers are being opened. With this salaries to the workers will be given through cheques. There will be no issue of cash transactions and they can withdraw it from the banks or directly from the ATM…"

Source: indianexpress.com- Dec 02, 2016

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Steep decline yarn prices affecting powerlooms sector

Cotton price that stood at Rs 52,000 a bale (172 kg) some months back has started declining slowly which is now available at Rs 46,000 to Rs 48,000 a bale. A steep decline in yarn prices is affecting the powerloom sector. About 2,000 of the about 10,000 power looms in Erode and surrounding areas closed down in the last three days, with the danger of many more following suit, according to a senior official of Erode Powerloom Owners Association.

According to N Sivanesan, Chairman, Federation of All Traders and Industries Association, with the new cotton crop arrive for sale in December cotton price is expected to be available at Rs 40,000 a bale. Such a drastic fall in price certainly to affect the yarn and cloth producers,said.

Further due to demonetization, the powerloom owners could not provide full wages to their weavers and others in the industry. Sivanesan wanted the Government to allow powerloom owners to draw sufficient funds from their bank accounts to purchase yarn and also provide wages to their workers.

Association President Subramaniam, as most powerloom owners had got a good number of orders from textile merchants when yarn price was Rs 215 a kg of 40 number count. But for the past one week the price had decreased and was selling at Rs 180 a kg.

Many powerloom owners had procured huge quantity of cloth, but those who gave orders were now demanding that the price be reduced by Rs three a meter, which was impossible as production cost was high.

Under such circumstances it has forced them to close down shutters of 2,000 powerlooms and within a week's time the remaining 8,000 looms will also be closed if the price continues to go down.

He urged the Textile Ministry to take steps to maintain stability of cotton and yarn prices, for which they should instruct to fix a price for one month. But if in case there was poor or high demand the price could be changed after 30 days this would be of great benefit to textile producers.

Source: yarnsandfibers.com- Dec 01, 2016

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Demonetisation hits disposable incomes and sales of textile goods

The adverse impact of the demonetisation on disposable incomes and hence consumer spending has resulted in a slowdown in domestic demand for apparels and other end-products of textile industry in the immediate term, according to ICRA.

The resulting inventory accumulation with the retailers will, in turn, cause deferment of purchases from apparel/home-textile manufacturers (focused on domestic market) in the near term, besides resulting in stretched payments. This, in turn, will affect the cash flow of the textile industry and is likely to drive a constraint in the demand for the entire textile value-chain.

While textile retailers are facing the immediate impact, the impact on apparel manufacturers and other intermediaries in the value chain is expected to be felt with a lag of a few weeks, with reduction in orders due to a slower offtake of the channel inventory.

The overall impact on the sector, however, is expected to be limited as 1/3rd of the Indian textile industry is estimated to be export focused (directly or indirectly). Also, as the demand reverts back to a steady state over the next few months with expected improvement in liquidity, this impact will be neutralised.

In ICRA's assessment, the impact of demonetisation is likely to be the most severe for winter-wear retailers and manufacturers focused on the domestic market, who witness 60-70% of their annual sales during the period October-February. Though from the manufacturers' end, the shipments typically take place by September-October, pressure on sales in the retail space during the subsequent peak season can indirectly affect manufacturers.

While on the one hand, slow sales increase the possibility of stock returns to manufacturers or affect orderbook for the next year in the light of unsold inventory; on the other hand, slow sales and consequent liquidity pressures on retailers can result in stretched payments to the manufacturers.

The harvest season for cotton in India begins in October, with major cotton arrivals happening till March. New cotton arrivals are typically accompanied by softening of cotton prices from the levels during the period April-September.

While a similar trend was observed this year, announcement of demonetisation on November 8 has delayed cotton arrivals in the market due to widespread prevalence of cash payments to farmers. Accordingly, farmers are holding on to inventories resulting in a fall in daily cotton arrivals in November 2016 vis-à-vis corresponding previous, thereby resulting in artificial supply shortage and bottoming of cotton prices.

In ICRA's view, the slowdown in cotton arrivals and resultant marginal up-tick in cotton price post November 8, 2016 is a short-term phenomenon, which has already started to correct, as farmers have gradually started accepting alternate modes of payments.

Further, the yarn manufacturers are expected to be insulated from this mismatch, given the sizeable inventory maintained by them on an ongoing basis.

The impact is expected to be pronounced on the unorganised segment, which forms a large part of the domestic textile sector where cash transactions are more prevalent, as reduction in currency circulation is likely to temporarily affect their routine business transactions.

Overall in ICRA's view, the impact of the demonetisation is expected to be felt across the textile value chain in the near term.

While on the one hand, the impact is likely to trickle down from a slowdown in spending on apparels and other end products on the demand side; on the other hand, the reduction of currency in circulation is likely to adversely affect the unorganised segment and cotton procurement in the ongoing season of inventory build-up. Nevertheless, this is only expected to be a short-term phenomenon.

Source: economictimes.com- Dec 01, 2016

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Textile processing units told to set up treatment plants

Textile processing units that refuse to be part of the process for establishing common effluent treatment plants (CETPs) in Pallipalayam and Kumarapalayam were asked to have their own treatment plants or face action.

A meeting with investors for establishing the Integrated Textile Processing Park with CETPs was held at Kumarapalayam. Owners of authorised dyeing units in Kumarapalayam have come forward for establishing a textile park seeking 100 per cent grant from the government and a detailed project report of Rs. 119 crore was already submitted.

Likewise, owners of unauthorised dyeing units in the area have submitted a Rs. 194-crore project report to the government. Owners of all these units have purchased land for establishing the parks and had submitted the land documents to the government. Owners of units that refuse to be part of the parks were asked to establish their own treatment plants within two months or face action.

Earlier, a review meeting was held at the municipal marriage hall in which Minister for Electricity, Prohibition and excise P. Thangamani, Minister for Environment K.C. Karuppannan and Collector M. Asia Mariam participated.

Both the Ministers stressed the need for implementing the project for which the Chief Minister had in 2014 announced Rs. 700 crore for establishing CETPs in four districts.

They said that establishing CETPs in the only long-term solution for the pollution issue and asked textile unit owners to expedite works. S. Eswaran MLA from Bhavani Assembly constituency, District Revenue Officer K. Palanisamy and officials participated.

Source: thehindu.com– Dec 01, 2016

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Rupee depreciation to benefit apparel exports

The fall in Indian currency is a boost for export of garments, but for a short term. This depreciation will be fruitful to the export industry only if the situation continues for a longer duration. The rupee had plunged to a record low of 66.246 against the US dollar on November 8, 2016 before recovering to settle at 68.395 on December 1, 2016.

One of the reasons for decline in rupee value is outflow of money from prospective foreign investors, said the representatives of textile associations.

“The fall in Indian rupee is good news for the export industry. With the rupee depreciation and rise in dollar value, we are expecting improvement in the export of garments, at least for short run.

But, India will be at loss if there is greater fall in values of currencies from other major emerging markets,” Ajay Sahai, Director General and CEO of Federation of Indian Export Organisations, told Fibre2Fashion.

“Rupee depreciation has definitely helped garment-oriented exports. However, the gain is only for a short-term as we have been experiencing this kind of situation since last few years where the rupee falls by the end of the year end and the value begins to increase within few days.

Hence, most of the exporters are a bit unhappy with this rupee depreciation. The issue with short-term depreciation is that buyers who place the order in the next term use the old value to negotiate. We lose price due to uncertainty of our money value,” said Raja Shanmugham, president, Tirupur Exporters’ Association.

While talking to Fibre2Fashion, Shanmugham added, “Fearing such a situation in the future, a large number of the garment exporters took forward cover as a hedge against currency instability.”

“Market situation of the Western countries is also not good. Savings rate has also improved in the US and Europe. As of now, consumers are spending very low on garments.

Hence, fall in rupee value is just a ray of hope to catch up with the export business. It will benefit us only if the situation sustains for a longer term," said Rakesh Vaidya, former chairman of Apparel Export Promotion Council.

Source: fibre2fashion.com– Dec 01, 2016

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It's raining raw cotton as trade slumps

As tractor trolleys unloaded raw cotton at Jayguru Ginning Mill on the Apatapa road in Akola, Nitin Patil, the owner, is happy .In just two months, he could buy as much of the soft fibre as he had in the entire season last year.

He is benefitting from the cash crunch post demonetisation. With large cash transactions coming to a standstill, trade in cotton from Maharashtra to Gujarat and Madhya Pradesh, where at least Rs 2,500-2,700 crore of transactions were in cash that was channelled through hawala routes, has crashed.

That means, there is ample supply of the raw material in the legal market for people like Patil to source from.

"During cotton harvesting season 500-600 trucks used to cross the border every day from Maharashtra to Gujarat and Madhya Pradesh carrying raw cotton (kapas). Now, the number of trucks has declined to 200-300 a day," said a cotton trader from Vidarbha.

During the harvesting season, cotton worth Rs 5,400 crore is estimated to cross the border, of which about half the trade takes place in cash. According to local ginners, ginning and pressing business is more profitable in Gujarat and Madhya Pradesh because millers get higher price for the de-olied cake (DOC), a byproduct of ginning.

"Ginners from Gujarat and MP get a higher price for DOC as demand for it is more in north India. Cost of production of cotton seed oil is less as the chemicals required for it are cheaper in Gujarat," said a ginner from Maharashtra.

Source: economictimes.com– Dec 01, 2016

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Bombay Dyeing plans to treble retail turnover by 2020

The Bombay Dyeing and Manufacturing Company Ltd (BDMCL), market leader in home textiles business, plans to treble its turnover from retail segment in four years by strengthening its entire value chain and entering into e-commerce by March 2017.

BDMCL posted Rs 1,845.7 crore turnover to which retail or textiles segment contributed to nearly 17 per cent or Rs 305.7 crore for FY16. It currently aims to achieve a turnover of Rs 1,000 crore by 2020.

“We are investing in technology, talent and brands immensely to achieve this growth. Until recently, we were banking largely on brand loyalty with the quality products on offer to retain our customer base.

But now, we have changed our strategy and restrategised our approach for appealing to new and young customers with around Rs 100-crore investment on brand improvement for four years,” said Nagesh Rajanna, chief executive officer, Bombay Dyeing Retail.

In the process, the company has shut all its manufacturing plants for the past two years and shifted sourcing of its products on franchise model. It has hired 10 critical and fairly large manufacturing companies on franchise basis that contribute around 90 per cent of its output requirements. Also, the company has engaged a number of small manufacturers to meet its annual requirement.

To achieve its goal, Bombay Dyeing plans to appoint at least one franchise stores in small cities with over 100,000 population. It plans to open 500 such franchise stores in four years.

Apart from that, according to Rajanna, the firm plans to introduce at least two-three products every year to strengthen its presence in home textiles business.

When asked about how to maintain the quality at every levels of the product chain from sourcing of cotton to spinning, yarn manufacturing to textiles, Rajanna said: “Our quality inspection team will monitor product quality at every stage with no room for compromise.

This will be in addition to the well-defined quality norms which all franchisees need to adhere to.” The company has set up its own design studio for research and development in product designs. Bombay Dyeing plans to launch e-commerce platform by March 2017.

Source: business-standard.com– Dec 02, 2016

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Red tape, a big drag on our exports

The World Bank's ‘Doing Business’ rankings announced on October 27, 2016, placed India at a low 143 among 190 countries in the ‘Trading Across Border’ parameter that captures efficiency of export-import clearance process.

While the ranking is based on survey-based feedback of less than 50 persons, it still validates the view that doing export and import business in India is complex and time-consuming. Yet, ease of export/import remains critical to our economic growth.

High cost of compliance

At the macro level, exporting is a simple operation. It involves shifting a product from the seller's place to the buyer's place in another country and getting paid for it. At the operational level, it involves two parallel processes: completing the documentary requirements of various agencies and moving goods from factory to port. Despite reforms over the years, both processes are still complex.

Our business regulation/facilitation processes are short of global standards. According to the ‘Doing Business’ report, the average time taken in India for documentary compliance is 58 hours for exports and 65 hours for imports. The comparable figures for OECD countries are 3 hours and 4 hours. Border compliance is about meeting the requirements of customs, shipping companies, CFS and terminal operators at the port.

Here, the figure are no better: the average time taken in India is 85 hours for exports and 307 hours for imports; for OECD countries they are 12 hours and 9 hours.

The delays make product delivery time uncertain, forcing a firm to maintain large inventory which requires additional unproductive investment. Firms dealing with lifestyle products with a short shelf life are worst-hit.

Three specific measures will help make export/import more efficient.

Online compliances

An exporter has to deal with central excise (for exemption from payment of duty), customs (for appraisal of documents and clearance of goods), DGFT (to receive export incentives), the shipping company (for shipment related formalities) and banks (to open letter of credit and receive foreign exchange realisation), to name a few. While all agencies have improved their systems, the interface is a problem.

Documentary compliance time can be reduced by setting up a platform that processes all the requirements online. Let's call this platform the National Trade Network (NTN). NTN should serve as the central technology platform that will power the operation, administration and oversight of the entire process. NTN should be led by a person with a technology background and expertise in delivering complex projects. All government and other agencies will have to operate through NTN and introduce a single common document containing information required by all.

NTN will allow the firm to file all information/documents digitally at one place. The in-built system intelligence will route the required information to the appropriate agencies. A service agreement with these agencies will bind them to respond to these requests within 2-5 hours, and users will receive permissions online within this time.

Centralised submission, assessment and processing will minimise the need for posting of large numbers of officers at the local customs house, central excise or DGFT offices. Today, over 80 per cent of officers doing trade-related jobs are posted in the local offices. These officers process applications or carry out assessment of cases relating to a designated office.

Shortage of staff impacts the output at many places. With NTN, while officers may continue to be located in different locations physically, they will be available to assess files submitted anywhere in the country.

Trade Single Window or NTN-type concepts have been discussed in government for 15 years.Most government agencies have developed online systems that interact with one another through web services. However, none of these are truly single window as they do not take care of end-to-end processes and are legacy systems.

NTN will not require physically shifting all work to one agency, and all agencies based on the existing expertise will continue doing their work. Only, they will have to do it through the NTN. Paperless processing will make export/import documentation online and automatic with minimum human intervention and will reduce costs for both exporters and the Government.

In most countries where NTN-type projects have been implemented, the highest political executive of the country supervised the project to ensure the full cooperation of participating departments.

Zero customs processing time

For exports, most customs formalities can be completed at the designated factory or the inland container depot (ICD). Factory stuffing of containers, which has reduced customs processing time at ports, should be made compulsory for all shipments. Using the electronic seal and electronic cargo tracking system (ECTS) will enable real time tracking and electronic monitoring of seal status.

Once the officer puts the electronic seal on a container, it should not be checked again along the way or at the port. When goods arrive at a port, customs officers already have the required information through NTN and the Let Export Order (LEO) can be generated online.

This action will bring down customs processing time to near zero level. The success of the operation may be measured in terms of reduction in number of customs staff deployed at the port.

For imports, since customs duty is charged on most goods, these are released only after the importer pays the duty. Since the process mostly starts after a ship lands, it takes time and delays the release of goods. This time can be cut by either collecting duty in advance of arrival of goods or collecting after the release of goods from the port.

Advance payment will require advance electronic filing of a document called Import General Manifest (IGM) by the shipping company. This contains details of goods that allows customs to calculate duty; the firm can pay this duty ahead of arrival of a ship. Deferred payment of duty can be allowed to the top 2,000 traders who account for over 80 per cent of India's international trade.

Transparency in transactions

Trader interface with shipping companies, port operators and CFS needs urgent attention. Making this efficient will reduce time and costs substantially. Currently, most imported goods are shifted from the port to a container freight station (CFS) which is an enclosed area near the port, to await clearance from customs, shipping companies, port operators and so on.

Exporters complain that many shipping companies load new charges and delay the release of cargo till these are paid. They also force firms to use a particular CFS. Foreign shipping companies are not covered under any Indian regulation. A regulation nudging shipping companies to notify all charges at the port of loading will ensure transparency.

These changes do not require large investments but they will enhance competitiveness of Indian export operations, spur a large number of new entrepreneurs into exports and significantly improve India's performance in exports.

Source: thehindubusinessline.com– Dec 02, 2016

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Bolt from the blue for logistics industry

The journey of a truck on Indian roads symbolises the ride of the Indian logistic sector in more than one way. There can be bottlenecks at toll booths, bumps and potholes any time ahead, along with stormy weather, winding roads and hairpin curves.

Indian logistics players felt relieved — like driving past a logjam at a border check post — when the GST Constitutional Amendment Bill was passed in August, after a decade-long stalemate.

The GST rekindled the hopes of a probable smooth ride for the logistics players, prompting them to plan strategies for the future. But, the demonetisation move has come as an unexpected hump, waking them up from the daydreaming.

The people of India are generally used to bumpy rides, perhaps every day, in one or the other way. But the initiative to replace ₹14.18 lakh crore — which existed in the form of 500 and 1000 currency bills till November 8 and formed 86 per cent of the total money in circulation — has proved to be a jolt.

The resultant disruption due to the liquidity crunch has triggered shockwaves across the spectrum, as we are a cash-driven economy and 45 per cent of the gross domestic product comes from the informal sector.

Among all the sectors, logistics is one of the worst hit, at least in the short-term.

Four lakh trucks stranded

Early estimates suggest that cash shortage has led to four lakh trucks being stranded in the very first week itself.

The business volume has come down by up to 40 per cent. across the country. The capacity utilisation of the fleet has come down by 60 per cent. A truck takes 7-8 days on a single trip on an average and at least 10 per cent of the expenses throughout the route are borne by the drivers and the support crew, for whom hard cash is the most convenient and practical option.

While 55-66 per cent of the total trip costs are on account of fuel, another 25-40 per cent account for heads such as tolls, octroi (on goods entering particular areas), speedy clearance at check posts, and so on. The country has 177 inter-State check posts and 268 toll barriers on National Highways alone.

This gives an idea about the amount of hard cash required and the concerns due to restrictions on cash withdrawal. These are cases of direct impact.

Demand fall

But there is a stronger ripple effect on the sector in the medium term when the total demand comes down across the sectors such as construction, consumer durables, steel and cement.

That means after the bump, we should be prepared for speed tables for a longer period of time, as demonetisation has made a huge impact on the entire supply chain.

It was reported that the demand for food, fertilisers and other daily needs have come down drastically, almost 60 per cent compared to last month.
The excess supply in the market and contraction in demand keep the logistics players off the roads. Tier-II and Tier-III cities have borne the brunt more in the last couple of weeks.

Another immediate impact for the logistics sector came from e-commerce.
All these instances show that the top lines of the companies are going to be affected in the next quarter.

One of the main motives behind the demonetisation move is to transform India into cashless society. But if the authorities thought it would happen overnight and so easily, through such an ill-conceived plan, a few stark facts of the logistic sector alone will prove them wrong.

At least 70 per cent truck drivers come from the villages and are without Paytm (a cash management application that runs on smartphones) or credit cards.

Rural ride

How are these drivers going to pay at the *dhabas*? How will they give money to their families? Should the trucks remain off the roads till each driver and his wife are empowered with a credit/debit card or mobile wallet?

But there is also a brighter side to the picture, like in the case of the e-commerce sector which is bound to pick up once people get more adjusted to plastic money and mobile wallets. There are some positive takeaways for the move in the long-term.

With the shift to online payments and fuel cards, the working capital requirement at least in the case of established logistics players can come down.

There has also been a drastic drop in costs, such as tolls and other miscellaneous expenses borne by drivers en route their journey.

Some positives

Unorganised players account for 80 per cent in the sector and they predominantly deal in liquid cash. The demonetisation will drive them to move to the organised sector and which in turn can help the Indian logistics industry evolve.

The move also comes as stimulus for the players to adopt technology more than ever before. GST coupled with the demonetisation can give a positive guidance for the industry.

But, the logistics industry needs time to evolve on its own, given its complexity and traditional baggage. The industry may be inured to speed barriers and headwinds, but such ill-timed and ill-planned roadblocks can stymie the growth of the sector at least in the short-term.

Source: thehindubusinessline.com– Dec 02, 2016

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