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IBTEX No. 151 of 2017 July 24, 2017

USD 64.44 | EUR 75.20 | GBP 83.88 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19648	41100	**81.48**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
20280	42421	**84.10**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.97
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**84.03**
Cotlook A Index – Physical	**83.7**

Cotton & currency guide:

The gone by week was positive for cotton price. The December contract settled at 68.42 up by 184 points from the previous week's close. The trading volume during the week was marginally higher than the previous week and pegged at 68323 contracts.

Since the summers are on in the US in the relative terms the participation is low. Although we have seen a good rebounding in the price from a recent low near 66 cents but failing to break the 69s level indicate that market is perhaps not wholly ready for a full-fledged bullish tone. In fact technical charts aren't exactly settling outright bullish trend in the market.

This morning during early Asian Session the aforementioned contract is seen trading down by more than quarter percent at 68.20 cents. We believe if the suggested resistance level is failing to break then possibly market may either continue to remain sideways or see a marginal dip in the price.

The broad range of 66 to 69 cents remains intact. Interestingly the Chinese cotton trades at ZCE for September future has declined sharply today and currently trading around 15K Yuan/ MT down by 350 points from the previous close.

We believe perhaps market failing to break 69 cents in ICE and ZCE withdrawing below 15700 indicates another round of selling could be witnessed this week. The in-house chart study suggests ZCE to trade this week in the range of 14740 to 15200 Yuan/MT.

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

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INTERNATIONAL NEWS

Egypt's Cotton Industry Gets $1.72 Million Injection

Looking to boost cotton quality and exports, Egypt's Ministry of Trade and Industry has signed a cooperation protocol with United Nations Industrial Development Organization (UNIDO) and the Italian Development Cooperation.

The ministry said the two-year $1.72 million project aims to increase the added value of Egypt's long and extra-long staple cotton, improve the performance of cotton farmers and producers, and maximize the role of institutions supporting cotton production.

The development comes as Africa gets renewed attention as a textile and apparel sourcing region after years of what the industry saw as untapped potential and the 2015 renewal of the African Growth & Opportunity Act (AGOA) U.S. trade preference program for 10 years. The AGOA preference program is expected to be in place until 2015, though the Trump administration has indicated it could seek amendments.

The protocol to increase Egyptian cotton's added value was signed on Wednesday by Egypt's minister of trade and industry Tarek Kabil; Abdel Moneim el-Banna, minister of agriculture; Giovanna Ceglie, director of the UNIDO's regional office in Egypt, and Felice Longobardi, head of the AICS.

"The textile industry assumes a significant importance to the national economy, comprising 3 percent of the GDP and employing nearly third of Egypt's workforce," Kabil said. "Textile exports are estimated at $2.6 billion, accounting for 15 percent of Egypt's non-oil exports, and tops the government's agenda as one of the key targeted sectors in the trade ministry's strategy for industrial development."

However, while Egyptian cotton is prized for its premium extra-long staple fiber, production and exports have been on the decline.

Textile and apparel imports into the U.S. from Egypt were worth $363.38 million for the first five months of the year, a decrease of 14.5% from the same period year earlier, according the Commerce Department's Office of Textiles & Apparel.

The project will be implemented over two years and will include building the capacity of 400 cotton farmers and 15 private companies in the textile business, improving the skills of 300 workers and offering training programs for 300 technical students.

This month, the U.S. Agency for International Development East Africa Trade and Investment Hub signed a grant with Kenya to create 2,000 full-time jobs and provide more than 100,000 hours in skills development for young workers in the apparel industry.

The signing of the grant also marked the kick-off of the East Africa Cotton, Textile and Apparel Workforce Development Initiative, a partnership between the Hub and the American Apparel & Footwear Association to ensure U.S. brands and retailers goods are manufactured in accordance with "best business practices and operations" in East Africa, according to USAID.

There's also been investment activity of late in Ethiopia from U.S. and Asian companies.

Source: sourcingjournalonline.com- July 21, 2017

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Bangladesh Moves to Ease Congestion at Chittagong Port After Two-Week Delays

The Chittagong Port Authority has taken steps to alleviate the congestion situation at Bangladesh's top port, but no comprehensive plan is in the works to fix what has been a long-term logistical problem.

Container ships have had to wait nearly two weeks on average to call on the port since May due to poor weather conditions and equipment shortages, while the damage of two ship-to-shore cranes from a collision by a ship in late June have exacerbated to problem for freight operators and exporters.

The local port authority convened a meeting on Thursday with local port operators, shipping lines and agents to work out how to alleviate the traffic, according to various media reports.

Larger ships will now be allowed to call at night and more space will be allocated for containers at nearby yards, while the authority has said it will pressure customs to urgently clear cranes so that can be installed at the port.

The port authority maintained that the severe congestion could be over within two weeks, but the local shipping community has urged for more berths to be built at the port soon.

Shipping minister Shajahan Khan said this week he has called for a meeting on Monday with a cross section of port users to work on a solution.

The port, via its two container terminals, handled 2.3 million TEU, or 20-foot equivalent units, last year, considerably above its 1.7 million TEU design capacity, according to a recent report by the Asian Development Bank (ADB).

"Unless such expansion is carried out and operation efficiency is improved, the port is likely to become a bottleneck to the international trade of Bangladesh," ADB warned.

Port officials have said the high birthing rate has hindered the ability to dredge in order to begin expansion efforts.

Chittagong, which is a draft constrained river port, accounts for around 90 percent of the country's international seaborne traffic.

Source: sourcingjournalonline.com- July 21, 2017

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USA: Preference Programs Turn Prime Picks for Duty Free Trade

Up in the air seems to be the modus operandi for U.S. trade deals, and the fact that the country's trade deals have either been withdrawn from or are under scrutiny for renegotiation, has many in the sector seeking duty free alternatives.

What brands and retailers will likely uncover—and what proponents will point to as a potential solution—are trade preference programs.

The U.S. uses trade preference programs as a way to aid developing nations by giving them greater access to the U.S. market through trade benefits, like no duties on America-bound exports.

Though trade preference programs are also under review by the trade powers that be in Washington, they are more likely to withstand an America First assessment, as they don't yield the trade deficits the Trump Administration has harped on as being detrimental to the U.S. economy.

But the programs are still widely underused: $3 billion worth of textile and apparel imports come from the African Growth and Opportunity Act (AGOA), Qualifying Industrial Zones (QIZ) with Egypt and Israel and the HOPE/HELP Acts in Haiti, but combined, preference programs only account for 3 percent of U.S. imports.

Seeking to highlight the perks of programs like these, a panel of experts moderated by Gail Strickler, president of global trade for Brookfield Associates, shared insight on AGOA, QIZ and HOPE/HELP, at a Texworld USA seminar Monday.

As Strickler explained, the idea with trade preference programs is that they are unilateral, not reciprocal like free trade agreements, which is what may contribute to their continuance with little to no disruption.

Considering the considerable duties on textiles and apparel (as high as 32 percent on certain synthetics), "You could be saving up to a third of the cost as opposed to sourcing it somewhere else," Strickler said, adding, "For those of you who are under pressure to reduce the cost and keep those customers coming back, this is a really good time to start looking at some of these programs."

As part of the U.S.-authorized QIZ program, Egypt can export goods to the U.S. duty free as long as the products contain 10.5% Israeli inputs.

"It's a win, win, win," Gabi Bar, the QIZ Minister of Israel, said noting how one agreement simultaneously saves U.S. brands on costs for their products, and improves trade and relations for Egypt and Israel.

There are six zones in Egypt where companies can produce goods to take advantage of the trade privilege: Greater Cairo, Alexandria, Suez Canal, Central Delta, Beni Suief and Al Minya.

As QIZ minister for Egypt Ashraf El Rabiey explained, there are five key benefits to sourcing under the QIZ program: it helps businessmen from Egypt and Israel to work together, it contributes to the Egyptian economy and the Israeli economy, it helps promote peace in the Middle East, it provides jobs in some of the countries' poorest areas, and—particularly key for brands and retailers today—it never expires.

"It's an indefinite agreement, so you don't have the kind of worries every year whether it will be extended or not," El Rabiey explained. "That enables you to have planning into the future that won't be affected sooner or later by political changes."

What's next in advancing this program, according to Ian Ross, CEO of Israeli textile firm Delta Galil, is trying to build a continental supply chain. Instead of taking eight to 10 weeks to get elastics shipped in from Asia, Delta Galil has been working with the Egyptian government to bring in an elastics manufacturer to supply themselves and the region.

When it comes to AGOA, the trade preference program is (for now) slated to run through 2025. Of the 41 AGOA eligible nations, 26 qualify for duty-free access to the U.S. on all clothing and some textile exports. From its 2015 renewal through 2025, exports out of Africa under AGOA have the potential to quadruple, which would mean as much as $480 million in duty savings for the U.S. market.

Haiti has been a hot topic at Texworld USA this time around as the country is working to rebrand itself as a viable sourcing option for more American brands and retailers—and so far, the rebranding is beginning to work.

As Mark D'Sa, special project director for Haiti explained, between the Caribbean Basin Trade Partnership Act (CBTPA) and the HOPE and HELP acts, the sector has largely underestimated Haiti.

"People tend to think of Haiti only for T-shirts, but very few people realize there are tuxedos being made in Haiti," D'Sa said. "There's industrial workwear, basic knitwear, Under Armour is already working in a few factories there, Lululemon is hoping to start by January...you can get inputs from the Dominican Republic in four hours."

Goods can be shipped from Haiti to the U.S. East Coast in 3.5 days, smaller factories are allowing bigger brands to do bite-sized test runs before coming in in a big way, and investment interest is springing up from countries like Korea, Taiwan and Sri Lanka.

"Business is coming in," D'Sa said. "If you're not looking at Haiti, you are missing opportunities. You are missing tremendous opportunity."

Source: sourcingjournalonline.com- July 20, 2017

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Indonesia's textile exports grow by small percentage

A small 0.62 per cent year-on-year (y/y) growth has been observed in Indonesia's textile exports in the first half of 2017. This has been supported by a 20.4 per cent (y/y) rise in knitwear exports. This modest growth being seen as a positive matter amid bleak global economic conditions which have led many countries to reduce imports of textiles.

According to Indonesian media reports, Ade Sudrajat, chairman of the Indonesian Textile Association (API), said Indonesia's downstream textile manufacturers were actually pleased with this result as it exceeded expectations amid bleak textile demand in various countries.

Data from API show that Indonesian textile exports to key markets have declined. Shipments to the USA fell 3.6 per cent (y/y), to the European Union by 4.0 per cent (y/y), and to Japan by nearly 5 per cent in the January-June 2017 period, the reports said.

Sudrajat said the apparel trade balance of Indonesia has improved markedly since the start of the year as the government had discouraged cheap imports into Indonesia to protect local industries.

Meanwhile, more than 50 clothes factories have been relocated to Central Java where they are using more efficient technology. Therefore their output is also more competitively priced on the world market.

"Improved competitiveness (in terms of price and delivery) explains why demand is negative but Indonesian exports are positive," Sudrajat explained. "Moreover, foreign importers may now be more confident in Indonesia's economic and political stability."

Based on data from Indonesia's Industry Ministry, the textiles and textile product sector contributed $11.87 billion in foreign exchange earnings, or 8.2 per cent of Indonesia's total export earnings in 2016. Meanwhile, investment in this sector reached approximately $567 million in 2016, according to reports.

Source: dawn.com- July 21, 2017

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Vietnam, Bangladesh eye two-way trade at US$1 billion

Bangladesh and Viet Nam have agreed to elevate the bilateral trade to US$1 billion.

In talks with Bangladesh Parliament Speaker DR Shirin Sharmin Chowdhury on Saturday, Viet Nam President Tran Dai Quang said they agreed so, Viet Nam News reported the next day.

Dr Shirin Sharmin Chaudhury is on a four-day official visit to VIet Nam, at the invitation of her Vietnamese counterpart Nguyen Thị Kim Ngan.

In order to reach the $1 billion target, speaker Shirin believes that the two countries should promote mutual trade and commercial activities as well as encourage favourable conditions for businesses investing in either country, Việt Nam News reported on Saturday.

She suggested Viet Nam look for investments in sectors like electronics, consumer goods or agricultural products.

"Bangladesh hopes Viet Nam will be a gateway into the ASEAN market for Bangladeshi products," she told President Quang.

Quang affirmed that Viet Nam encourages the two sides to co-operate in fields like chemistry, mechanical engineering and food production as well as textiles, communications and transportation.

He also stressed the need to look for co-operation opportunities in other fields like security-defence, science-technology, and education and training.

STRONGER TIES

President Quang valued the speaker's visit, which promotes co-operation between the Vietnamese and Bangladeshi congresses.

He asked that Viet Nam and Bangladesh continue to co-operate and support each other in regional and international forums.

Quang also asked for Bangladesh's support in Viet Nam's bid for non-permanent member status at the UN Security Council for the period of 2020-2021 as well as Viet Nam's candidacy for the post of UNESCO Director General.

Quang extended his invitation to the Bangladeshi President Abdul Hamid to visit Viet Nam in the near future. On her part, Shirin said that Bangladesh wishes to strengthen the relationship with VIet Nam, and committed to supporting Viet Nam in regional and international forums.

Notifying Quang about her meeting with the NA Chairwoman Ngan, Shirin said that the two sides agreed to continue high-level delegations to share experience in lawmaking and inspect the implementation of co-operation agreements.

Source: thefinancialexpress-bd.com- July 22, 2017

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China establishes green manufacturing alliance

A green manufacturing alliance was inaugurated Saturday to better support the country's green and sustainable development, according to the Ministry of Industry and Information Technology (MIIT).

Led by the ministry, members of the Green Manufacturing Association of China (GMAC) are from China's leading scientific research institutions and manufacturing enterprises, covering such industries as iron and steel, building material, energy, textile and finance.

More than 400 representatives from multinational enterprises, international institutions and foreign embassies attended the inauguration ceremony.

"China should eliminate backward production capacity with high energy consumption and high pollution and stick to the path of sustainable development," said Xin Guobin, vice minister of the MIIT.

According to the ministry, the alliance will serve as a platform for China's green manufacturing businesses to cooperate with financial institutions and multinational enterprises.

Source: xinhuanet.com- July 22, 2017

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Ethiopia invites investments from textile industry

Ethiopia, which produces about one lakh tonnes of cotton a year, is looking at investments from the Indian textile and clothing industry at its industrial parks and also to cultivate more cotton.

A delegation, including Bogale Feleke Temesgen, Ethiopian State Minister of Industry, and Sileshi Lemma Bekele, Director General of Ethiopian Textile Industry Development Institute, held meeting with members of Southern India Mills' Association here on Friday. They had a similar meeting in Dindigul too.

According to Mr. Temesgen, Ethiopia has just about 176 textile units and produces one lakh tonnes of cotton a year. "With three million hectares of land, the potential is immense to increase cotton production," he said.

Just 20 % of the three million ha is under cotton now and there is potential to increase it to 80 %. "We are here today to convince investors to come to Ethiopia," he said.

Indian textile industry can grow cotton on the uncultivated land, set up units to produce yarn and other value added products. Some of the main countries evincing interest to invest in Ethiopian textile sector are China, India, Turkey, South Korea, Japan, Germany, Italy and the U.K.

According to the World Investment Report 2016, Ethiopia stands next to Vietnam in attracting foreign direct investment in textiles. It offers power at competitive price and land on 60 to 80 years lease.

"We are aiming to generate 30 billion $ forex from textiles in the next 10 years. We have worked out what we need to do to achieve this. We need to attract investments," added Mr. Bekele.

Close to 500 companies have taken licence to invest in different industries in Ethiopia, mostly in textiles. It plans to have over 150 companies in textiles by 2020.

Ethiopia is developing 13 industrial parks and four of them are operational. Indian companies such as Arvind have invested in some of these.

In most of these parks, the focus is on the textile and apparel sector. With a growing population, Ethiopia needs to create jobs and hence the focus on textiles, said Mr. Temesgen.

Source: thehindu.com - July 22, 2017

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Bangladesh: Local firms to join Paris textile fair

Over two dozen local fabric and garment makers will take part in the 41st edition of Texworld beginning from September 18 in France.

Out of 26, 19 participants will participate under the banner of the state-owned Export Promotion Bureau, according to a statement.

Organisers claimed that this edition would be the largest where visitors are expected to come from all over Europe with a large number of buyers from the UK, France, Turkey, Spain, Italy and Germany.

Combined with Apparel Sourcing, a total of 1,530 exhibitors participated in 2016 while the fair recorded 12,929 visitors from 110 countries.

The exhibition attracts manufacturers from all the major sourcing countries. China, India, Pakistan, Vietnam, Bangladesh, Taiwan, Ethiopia, Thailand, Sri Lanka and other countries have national pavilions organised by their respective governments as well as exhibitors from the Netherlands, Turkey, and Portugal.

Messe Frankfurt is launching a new fair concept-Texworld Denim--combining denim textiles and clothing framed by Texworld and Apparel Sourcing booths, this new denim sector offers an exceptional ambiance and a distinct concept dedicated to the blue canvas. Quoting Md Sajedur Rahman, Zaber and Zubair general manager (marketing), the statement said, "We are always thankful to Texworld team for organising the fair in Paris as the fashion hub of Europe. This fair has an incredible demand."

Texworld is a place where one can get international recognition in textile arena as it is a one step solution to promote their products globally, organisers said.

Messe Frankfurt will also be launching 'Leather World Paris' next year in September 2018, which will be held simultaneously at the same venue.

Leather World Paris will contain tannery as well as finished leather goods ranging from leather garments to accessories such as bags, shoes and other fashion products, they added.

Source: thefinancialexpress-bd.com - July 22, 2017

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Low labour cost makes Ethiopia apparel makers paradise

Owing to its low cost capabilities, Ethiopia is slowly turning into a dynamic apparel-sourcing hub. Manufacturers from China, South Korea, India and other countries have opened new plants in the Africa's second most populous nation while a growing number of European and US brands are sourcing garments from there.

The connectivity a big plus

The biggest factor in its favour is the planned opening of a new railway line to Djibouti, located on the Horn of Africa in the Arabian Sea. The railway will facilitate transport of goods from the landlocked country's industrial areas, like the Bole Lemi Industrial Park, an hour's drive from the capital Addis Ababa. Opened in 2015, the sprawling 150-hectare park is bustling with Chinese, Taiwanese and South Korean production facilities, conveniently clustering factories for textiles, apparel products and leather shoes in one area.

At a factory operated by Shin Textile Solutions, a South Korean company, workers sit at long rows of machines sewing mainly sportswear. According to the general manager, the plant's entire output is exported, with about 60 per cent going to Europe, 20 per cent to the US and the remaining to Asia.
Government's initiatives

Ethiopia's main exports include coffee, gold and leather products, but the government is stepping up efforts to develop new industries. Arkebe Oqubay, Special Adviser to Prime Minister Hailemariam Desalegn, has pledged to transform Ethiopia from a farm economy into an industrial powerhouse. As part of its efforts to turn the country into an thriving, middle-income economy by 2025, the government has been building industrial parks. The newest is Hawassa Industrial Park, a one-hour flight from the capital. Among the 15 companies with manufacturing facilities there is US-based PVH Corp.

PVH's 280 employees produce garments for a number of international brands including Calvin Klein, and export them to Europe and the US. Ethiopia's low labour costs make it an attractive garment-sourcing destination, according to the company. The average monthly pay for a factory worker is about $50, compared with $140-160 in Kenya, $70-90 in Bangladesh, $150-170 in Vietnam and $400-500 in China. The country's young, low-wage workforce gives it the potential to grow into a major garment-sourcing hub with a vibrant market.

The inland nation used to depend heavily on trucking, hindering its transition to a more export-oriented economy. But the new railway connecting Addis Ababa to Djibouti will solve this problem. The government has built a distribution center in the Addis Ababa suburb of Mojo, where there is also a train station on the new line. Goods from Ethiopia's industrial parks will be sent to the Port of Djibouti via the center. Previously, it used to take three days to transport goods by truck from Addis Ababa to Djibouti. The railway will cut this to about nine hours.

Source: fashionatingworld.com - July 20, 2017

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Pakistan: Textile lobbies demand industrial census to resolve problems

Major stakeholders of Pakistan’s textile sector have demanded that the government should conduct an industrial census, especially in all textile chains, which will reveal the actual number of production units, labour employed and machinery installed.

The census will help in understanding the real strength of the textile industry, depending on which real challenges faced by the troubled sector can be examined.

"The ministry is laying the entire blame on businesses for using outdated technology and on reduced international demand due to global recession," Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Chairman Ijaz Khokhar said while talking to *The Express Tribune*.

He rejected the government's assertion of outdated technology, arguing that most production units were equipped with semi-automated machinery to ensure operational efficiency.

"We are competing in global markets and international players never visit any factory and place orders with the units working with outdated technology as they have strict quality control measures in place," Khokhar said.

"What about Bangladesh, China, Vietnam and other such countries whose exports are rising; are they not being hit by this recession," he asked while dismissing government's claim of global recession hitting Pakistan's exports.

"The industry needs a census so the government and stakeholders could discover its actual strength based on which future strategies should be made," Khokhar added.

Textile exports recorded a high of $13.8 billion in 2013-14, but they dropped to $12.14 billion in 2015-16. In the first 11 months of 2016-17, the exports stood at $11.23 billion.

Instead of outdated machinery and depressed foreign demand, industry representatives consider uneven industrial and tax policies, smuggling and high cost of doing business as the main causes of weakening exports.

Former All Pakistan Textile Mills Association Punjab chairman Shahzad Ali Khan believes old technology was a reason behind the current state of affairs in the textile sector due to which the industry was dying slowly.

"Indian businesses have successfully automated their industries due to which they are more energy efficient. India is now manufacturing textile machinery whereas we in Pakistan are not even producing its spare parts," Khan said.

He added many groups in Pakistan had successfully upgraded their facilities, but for medium-sized enterprises the situation was precarious since their liquidity had dried up over the years and no bank was willing to give them fresh loans to update technology.

Former All Pakistan Textile Processing Mills Association chairman Maqsood Ahmad said the textile industry in general was facing huge challenges, but a comprehensive research (through census) could help eliminate misconceptions about the industry.

"Industrial census is important to reveal structural deficiencies based on which the government and the stakeholders can overhaul the policies," he added.

Source: tribune.com.pk- July 23, 2017

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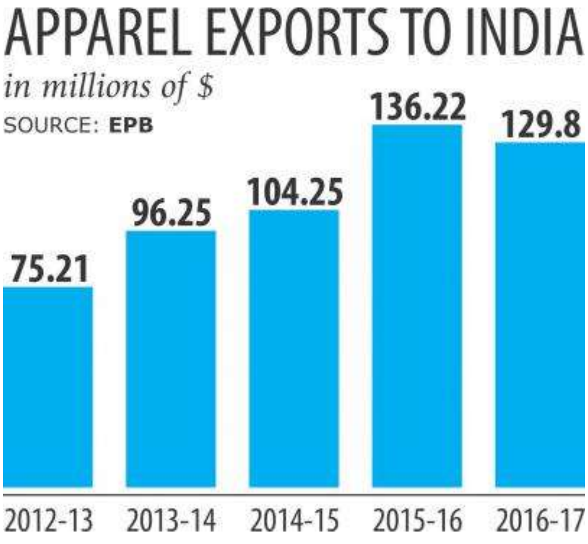
Bangladesh: India brings no cheer to garment exporters



Garment exports to India declined in fiscal 2016-17 thanks to 12.5 percent countervailing duty by the neighbour, which negates the benefit of duty-free access, and the emergence of its own apparel manufacturing industry.
Last fiscal year, garment shipments to India, a market of more than $40 billion, fetched $129.81 million, down 4.85 percent year-on-year.

The development is in contrast to expectations: exports were supposed to increase manifold for geographical proximity, Bangladesh's competitive advantage in this field and India's burgeoning middle-class.

"We have a very good market in India, but we cannot utilise the potential due to price competitiveness," said Mohammad Hasan, executive director of Babylon Group, a leading garment group.

Babylon Group sent garment products worth $1.67 million in 2015 and $1.6 million in 2016. The number this year will be lower, he said. "Export of garment from Bangladesh is not increasing as the Indian manufacturers are also producing the same clothes at cheaper rates."

Plus, the Indian importers are not interested in bringing in garment items from Bangladesh for the 12.5 percent countervailing duty (CVD), an import tax imposed on certain goods in order to prevent dumping or counter export subsidies.

"It is my observation that if we can utilise the giant Indian and Chinese markets, our garment exports will boom," Hasan added. Apart from CVD, the Indian government has been subsidising its garment makers, said Faruque Hassan, vice-president of Bangladesh Garment Manufacturers and Exporters Association.

So determined the Indian government is in seeing its garment sector thrive on the global stage that it changed an old law.

Previously, the Indian government did not allow the big industrial groups to invest in the garment manufacturing industry, which it changed a few years ago.

The big industrial groups no longer need to restrict their investment to the backward industries like textile, chemicals, printing, dyeing, weaving, spinning and finishing; they can also set up garment manufacturing factories, Hassan said.

As a result, the Indian garment sector has been growing in stature every year and its market share worldwide is also increasing.

"However, we should not look to India as our competitor as we also import a lot of raw materials like cotton, chemical products, fabrics and yarn from them for our garment sector," Hassan added.

Bangladesh imports goods worth more than $6 billion from India in a year through the formal channels, about $2 billion of which is cotton.

More than 50 percent of Bangladesh's cotton requirement in a year is met by imports from India.

Abdul Matlub Ahmad, the immediate past president of the Federation of Bangladesh Chambers of Commerce and Industry and a former president of the India-Bangladesh Chamber of Commerce and Industry, urged the Export Promotion Bureau to open a separate cell for the Indian market.

The cell will research the reasons for the floundering exports to India.

“By this time, Bangladesh's export to India should have crossed the $1 billion mark. But, still we cannot cross this mark despite having the potential.”

Ahmad said both Bangladesh and India are strong in the production of the same kinds of goods like garment.

“So the demand for Bangladeshi goods in India is low. We should find out goods in which India is not strong. We should produce those and export to India.”

He cited the Pran-RFL Group as a case in point. The Bangladeshi company has found a huge market in India for its agro-based and processed food items.

“Actually, neither the public nor the private sector is serious about the Indian market,” he added.

Not only garments, but the overall export to India also declined in fiscal 2016-17 to $672.40 million, according to data from the EPB.

On the other hand, imports from India have been swelling every year.

Source: thedailystar.net- July 23, 2017

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US Fashion Industry sours on sourcing clothing from Vietnam

In the study conducted by the US Fashion Industry Association, a Washington, DC, group that works to eliminate tariffs and non-tariff barriers, nearly 70% of executives surveyed rated protectionist trade policies as their top concern.

That's up from the No. 10 spot on the survey last year.

In the study, which surveyed 34 executives employed by large multinationals, China was reported the largest sourcing arena for clothing imports into the US and Vietnam was considered the second go to spot.

The percentage of respondents who reported they currently source product from China dipped 9% to 91%. In last year's study, all the respondent multinationals reported they manufactured clothing and textiles in China.

While Vietnam was considered a popular sourcing destination, by the respondents, only 36% said they planned to increase their sourcing in that country over the next two years.

This is a 17% drop from the 53% that last year reported they were interested in increasing production in the Southeast Asian country.

The significant drop is attributable to the US pull-out of the Trans-Pacific-Partnership to which Vietnam was a signatory and that would have paved the way for duty-free clothing exports to the US and other TPP member countries.

Bangladesh has been a popular sourcing destination because of its low-cost labour, but the executives surveyed noted the country's factories have a higher risk in complying with employment standards.

Only 32% of the US fashion industry executives surveyed expected to increase their sourcing in Bangladesh.

While duty-free imports are critical for keeping costs down, most of the 19 free-trade agreements the US has with other countries are underutilized, the results of the survey indicated.

Only the North American Free Trade Agreement was currently being utilized by more than 50% of the survey's respondents.

Second on the list of concerns is competition from e-commerce sites that are cutting into brick-and-mortar store sales. Some 57% of respondents said they had concerns about the growth of companies such as Amazon.com and new entrants to online sales.

Notably, only 71% of the US fashion industry executives surveyed felt optimistic about the future of the clothing and textiles industry, down from 92.3% surveyed last year. That is a record low for the annual survey started in 2014.

Source: vietnamnet.vn- July 24, 2017

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EU boost not enough to revive Sri Lanka garment industry

Despite a recent move by the European Union to restore Sri Lanka to its highly favorable Generalized System of Preferences Plus program, the country will find it hard to catch up with Bangladesh, which has powered ahead in textile and apparel production in the last few years. Production and labor costs remain high compared to competitors, and analysts are skeptical that the government will be able to meet its goal of doubling exports by 2020.

The EU, which is Sri Lanka's biggest export destination, absorbing some 36% of total shipments, reinstated the country into the GSP Plus program in mid-May, removing import tariffs on more than 6,000 products, including clothing. Sri Lanka was dropped from GSP Plus in 2010 for human rights violations, but remained in the less-favorable GSP program, under which its exports were taxed at 9.6%.

That had had an impact. Total apparel exports fell from $4.7 billion in 2014 to $4.6 billion in 2015 and 2016, according to the Joint Apparel Association Forum, an industry body. Exports to the EU in 2014 stood at $2.1 billion, but dropped to $1.9 billion in 2015 and 2016.

The slump has continued in 2017, with apparel exports falling another 5.8% in the first five months, compared with the same period in 2016. But JAAF adviser K. J. Weerasinghe is fairly optimistic: "We are confident we can now receive at least an additional $400 million worth of orders from the EU initially, which will increase further, now that we have regained GSP Plus," he said. Weerasinghe, and some retailers, said it would not be possible to meet the government's target of doubling exports by 2020, although 2022 was a possibility.

Analysts say that Sri Lanka needs to do more to catch up with countries such as Bangladesh, which is now the world's second-largest clothing exporter after China. Bangladesh accounts for 6.4% of global clothing exports, compared with Sri Lanka's 1.2%.

Part of the reason for this is that Sri Lanka has fallen behind in terms of value chain creation. Bangladesh, for example, has set up spinning mills and knitting mills, which allow manufacturers to cut production costs and improve efficiency. This also puts Bangladesh in a good position to sell large volumes of cheaper apparel such as knitwear, woven shirts, sweaters and sweatshirts.

Amit Gugnani, an analyst at Technopak Advisors, a management consulting company, said Sri Lanka must adopt a similar approach to developing value chain capabilities. "In complete integration, it becomes relatively easier to look at cost engineering across the value chain," he told the Nikkei Asian Review.

Gugnani also suggested that the government should set up textile industrial clusters in the country's north and east by providing investment incentives, as part of the value chain creation.

Another aspect of making production cheaper is to concentrate on remote and backward regions. Wages in Sri Lanka are typically higher than in Bangladesh and Vietnam, making the country better suited to producing high-end garments such as swimwear, trousers and underwear, including lingerie for top brands such as Victoria's Secret.

According to the World Bank's "Stitches to Riches" report, released in April 2016, the minimum monthly wage in Sri Lanka is $120, compared with $70 in Bangladesh.

Sri Lankan labor laws also limit factory workers to 57.5 hours per week, with fixed weekly holidays. This compares with Bangladesh's working limit of 60 hours and Vietnam's 64 hours.

Controlling costs

Gugnani said Sri Lanka should amend these labor laws. "It's important for Sri Lanka to look at providing lower minimum wages in backward and remote regions ... where the cost of living is comparatively lower," he said. "The industrial clusters in these regions can focus on basic products with minimal value addition and large volumes."

To cut production costs further JAAF has requested exemptions from Sri Lanka's 2% nation-building tax and a 7.5% port and airport development tax on the importation of machinery for the sector. "We don't have a problem with the government taxing our profits, but we have sought an exemption on some taxes for importation of machinery," Weerasinghe said.

Industry participants are also urging the Sri Lankan government to look at reducing duties, offering input tax rebates on raw materials sourced locally, and providing subsidies to factories that improve efficiency, to promote competitiveness with Bangladesh and Vietnam.

Anushka Wijesinha, chief economist of the Ceylon Chamber of Commerce (which uses an older name for Sri Lanka) said the country must also focus on becoming an easier place to do business. He added: "For a more sustainable and sustained increase we need to focus on competitiveness factors and factors that hold our exporters back -- like standards, bureaucratic and procedural delays."

Wijesinha said the government must help exporters to test products to meet international standards. Also, he urged the government to remove archaic laws such as the need for some exporters to obtain permits for each shipment.

Sri Lanka is ranked 110th among 190 economies in terms of the ease of doing business in 2016, slipping one place, according to the latest World Bank annual ratings.

Gladys Lopez-Acevedo, an economist at the World Bank, has another solution. She said that Sri Lanka should explore the idea of exporting more to other countries, including China. "Sri Lanka must look at consolidating its position, and not only focus on higher-end and value-added garments," she said.

To this end, Weerasinghe said the industry was looking at manufacturing shoe uppers, having received interest from a large company in Europe. "We have the potential to diversify and go beyond from our current strengths," he said.

Hasitha Premaratne, chief financial officer of Brandix Lanka, the largest apparel exporter in Sri Lanka, with a customer portfolio that includes Victoria's Secret, Gap, Lands' End, Lane Bryant and Marks and Spencer, agreed that Sri Lanka must diversify. "The country can broaden its horizon into areas such as synthetic products," Premaratne said. "We have a strong presence in innerwear products. However, we could look at the development of our infrastructure in synthetic fabrics as this is a growing global trend."

Aroon Hirdaramani, a director of Hirdaramani Group, a manufacturer for brands including Tommy Hilfiger, Levi Strauss and Nike, said his company started talking a week after the EU announcement to existing customers keen to increase sourcing and new customers looking to place orders. Hirdaramani and Premaratne were both optimistic that Sri Lanka's tighter labor laws and ethical standards could attract more European buyers.

However, Wijesinha said gains from the GSP Plus decision would not start to appear until 2018: "We will become competitive against others, and factories that were slowing down will see a boost in earnings and job creation, but this will not happen overnight. Order books for 2017 are mostly completed already, so we will only begin to see the gains from 2018, 2019 onward."

Source: asia.nikkei.com- July 24, 2017

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Cambodia: Garment sector's lackluster results

Cambodia's garment exports grew slower than expected by about 4 percent in the first half of the year compared with 9 percent in the same period last year while foreign investment in the sector fell by 30 percent, according to a report released by the National Bank of Cambodia on Saturday.

The NBC report said the slow growth was because of falling garment exports to the US, rising competition from Vietnam and Myanmar, and high production costs due to the increasing minimum wage.

The US and the EU are the top two destinations for Cambodia's garment exports and the NBC report pointed out that in the first half of the year total US-EU garment exports represented 67 percent of the kingdom's total exports, down from 75 percent in the same period last year.

The report also added that investment in the garment sector fell due to investors realising that Cambodia, in the next three years, would no longer enjoy preferential tax treatment from the EU as it moves up the ranks from a lower income country to a lower middle income nation.

"Cambodia will face tough competition in the global market in the short, medium and long term due to Vietnam, Cambodia's main competitor in garment sector, getting preferential tax treatment in 2018 on its exports to the EU under the Free Trade Agreement," said Chea Serey, NBC's director-general.

"The increasing of minimum wages will also put pressure on Cambodia's competitiveness," she added.

The Asian Development Bank on Thursday, in its Asian Development Outlook 2017 report, cautioned that since Cambodia is a highly dollarised economy, it must be careful to align minimum wage adjustments with productivity increases to keep wage costs in check and stay competitive as a manufacturer for export markets.

In April, the World Bank in its Cambodia Economic Update report stated that rising labour costs, driven in part by the increasing cost of living, US dollar appreciation, and competition from other regional low-wage countries, in particular Myanmar, continue to exert downward pressure on prices of exported garment products.

"However, a further decline of foreign direct investment inflows into the sector does not bode well for future garment sector expansion, as the industry is currently moving towards higher value-added products and will need to become more capital intensive if it is to confront increasing labor costs by improving productivity," added the bank.

Meanwhile, NBC governor Chea Chanto told a conference on Saturday that Cambodia's GDP is estimated to grow 7 percent in 2017, thanks to the growth of the garment, construction, real estate and tourism sectors.

"The garment sector continues to be a major contributor to the GDP, despite its slower growth rate, while the construction and tourism sectors continue to grow," said Mr Chanto.

Along with optimism, he said, Cambodia's economy also faces a number of risks that could affect both internal and external growth.

"The rise in the US dollar will reduce the competitiveness of Cambodia's exports and may affect the tourism industry," said Mr Chanto.

"The uncertainty about the effect of British withdrawal from the EU on Cambodian exports to the UK is also a cause for concern," he added.

Within the country, said Mr Chanto, increasing wages may make the cost of production higher –which could have an effect on the manufacturing sector.

Source: khmertimeskh.com- July 24, 2017

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NATIONAL NEWS

No shortage of cotton & yarn in country: Minister

There is no shortage of cotton and yarn in the country, and the Central Government reviews the cotton availability position from time to time, minister of state for textiles Ajay Tamta has said. Adequate availability of cotton is ensured through domestic production and textile mills are able to source their requirement of cotton from the domestic market.

“Government of India had directed Cotton Corporation of India Ltd to sell its stock of cotton (cotton season 2015-16), purchased under minimum support price (MSP), to spinning mills in the micro small medium enterprise (MSME) category to contain fluctuation in cotton prices,” Tamta said in a written reply to a question in the Lok Sabha.

The minister also provided details of policy initiatives, schemes, incentives, subsidies, working capital/interest subvention that are being provided to the domestic manufacturers and exporters.

He said the Government has been implementing various policy initiatives and schemes like Technology Upgradation Fund Scheme (TUFS), Schemes for the development of the powerloom sector, Schemes for technical textiles, Scheme for Integrated Textile Parks (SITP) and Scheme for Integrated Textile Processing Development (IPDS) to enable the textile industry, including the small industries, to upgrade and make them competitive.

The Government has also launched a Rs 6,000 crore Scheme for Production and Employment Linked Support for Garmenting Units (SPELSGU) under Amended Technology Upgradation Fund Scheme (ATUFS) to incentivise production and employment generation in the garmenting Sector.

These initiatives and schemes will help in the development of the downstream value added segments which in turn will create increased demand for yarn and thereby lead to increased production of yarn.

Special packages for apparel and made-ups sector were introduced in June, 2016 and December, 2016 respectively, which include schemes like ATUFS, Pradhan Mantri Paridhan Rojgar Protsahan Yojna (PMPRPY) and Scheme of Rebate of State Levies (RoSL) on export of garments.

The scope of Merchandise Export from India Scheme (MEIS) under new Foreign Trade Policy 2015-20 has been expanded since October 29, 2015 to 110 new tariff lines and increasing rates or country coverage or both for 2,228 existing tariff lines.

Source: fibre2fashion.com- July 21, 2017

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India's cotton textile exports fell in FY17: Tamta

The overall export of cotton textiles from India declined in 2016-17 compared to the previous two fiscals, minister of state for textiles Ajay Tamta said in a written reply to the Rajya Sabha.

He said the government has taken steps to revive exports of cotton textiles, which include cotton yarn, cotton fabric, cotton madeups and cotton raw waste.

According to data shared by the minister, the shipments of cotton textiles from India stood at Rs 70,936 crore during 2016-17, as against Rs 72,994 crore in the previous financial year and Rs 71,913 crore in 2014-15.

The steps taken by the government to boost the export of textiles, including cotton commodities, include announcement of a special Textile Package for garments and made-ups sector; MEIS scheme under new Foreign Trade Policy 2015-20; Restoring interest rate subvention for pre and post shipment credit for the textile sector; increased duty drawback rates for some textile articles; Market Access Initiative (MAI) scheme; Market Development Assistance (MDA) scheme; and duty-free import of trimmings, embellishments and other specified item under Export Performance Certificate Entitlement scheme.

Informing about the present export policy, Tamta said that both the export of cotton and cotton yarn at present are under Open General License.

The Directorate General of Foreign Trade, ministry of commerce and industry being the facilitator for the import and export of cotton and cotton yarn has dispensed with the registration requirement for export of cotton as well as cotton yarn.

Source: fibre2fashion.com- July 22, 2017

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Next GST Council meet may review rates on textiles, hybrid cars: CBEC

Central Board of Excise and Customs Chairperson Vanaja Sarna on Friday said the next Goods and Services Tax (GST) Council meet, scheduled on August 5, is likely to review the tax rates on textiles and hybrid cars.

"August 5 is still a little away. Different issues will be coming to the table. Things that have been brought to our notice, may be on the rules and the implementation, may be even on rates, possibly textiles and hybrid cars," Sarna said here on the sidelines of the conference on 'Trade Facilitation Agreement: Learning from Implementation Experiences'.

The conference was jointly organised by CBEC and industry body Federation of Indian Chambers of Commerce and Industry (FICCI).

"Whatever has been raised and is justified will be taken up. When you roll out something as mammoth as the GST, I would say you will always find problems probably coming in till six months or a year, you will find issues that come up," Sarna said.

The industry has been opposing 43 per cent GST on hybrid cars -- 15 per cent cess over the 28 per cent GST rate.

The textiles industry is also demanding a roll-back of the 5 per cent GST levy on the sector, which was earlier exempt under the previous indirect tax regime.

On the revenue implications under GST, the CBEC Chief said: "We are watching revenue trends after the roll-out of GST. But the real positions will be known after returns are filed.

So, we will have to wait for those returns to be filed. We will have to wait till post-September 5 when actually first returns come in because till then it is like a tentative return.

Source: economictimes.com- July 21, 2017

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CM urged to announce new textile policy

Tirupur Exporters Association today requested Tamil Nadu Chief Minister K Palaniswami to announce new state textile policy.

In a memorandum submitted to the chief minister, who was in Tirupur today, TEA President Raja M Shanmugham emphasised the need for a new policy for the growth of textile industry and exports from Tamil Nadu.

The memorandum also requested the chief minister to address issues like revision of GST rate fixed for job working units from 18 per cent to five per cent, reduction of Man Made Fibre yarn GST rate from 18 to 12 per cent and construction of ESI hospitals in Northern and Southern areas of Tirupur.

Source: indiatoday.in- July 22, 2017

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Irani: No GST checks of past transactions

Union textiles minister, Smriti Irani, encouraged traders and businesses to migrate to the new tax regime under Goods and Services Tax (GST), while addressing a discussion on 'GST - a Tool for Inclusive Growth', organized in Ahmedabad on Saturday. She said that the government won't harass people who are willing to join the formal economy through GST and past transactions won't be checked.

Irani termed GST a great step towards transparency and added that there is no need for fear-mongering.

"Past transactions won't be checked under this system. There will be no punishment for being honest. If government agencies or officers ask anyone about past transactions or harasses anyone, direct action will be taken against them," said Irani.

"In fact, the beauty of this tax structure is that it gives money back to the businesses through input tax credit," she added.

The minister also assured several textile traders present at the seminar, that a clarification about the tax structure on textiles—right from cotton to yarn to the final product—has been given to various traders and they will not face any kind of loss in business.

The minister also handed over a copy of 'FAQ on GST in Textiles' to various traders and trade body members who were at the seminar.

Source: timesofindia.com - July 23, 2017

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RCEP: India Inc. against quick elimination of dutie

India Inc. is learnt to be opposed to the Indian government committing itself to eliminating, within a short duration, tariffs on goods as part of the ongoing negotiations involving 16 Asia Pacific nations, including India and China, for a mega Free Trade Agreement (FTA).

The local industry is slated to convey on July 25 to the Indian team of negotiators their reservations against any binding commitment to immediately eliminate duties on most traded goods, as part of the FTA officially known as the Regional Comprehensive Economic Partnership (RCEP), sources close to the development told *The Hindu*.

The domestic industry will also inform the Indian government of their worries regarding the RCEP potentially leading to a surge in goods from China, owing to the possibility of nil duties, and will demand a longer 'phasing out period' — meaning, time frame to eliminate duties on the goods traded with China.

Technical level talks on the proposed RCEP are being held here, and this round is being considered critical as the 16 countries have to make "revised tariff reduction offers", the sources said.

The Indian industry delegation — meeting the Indian government team for a 90-minute stakeholders' feedback — include those from sectors such as steel, IT services, pharmaceuticals (including generic medicines), dairy industry, automobiles, chemicals, textiles and petrochemicals. There will be around 20 companies including the Tata Group, Aditya Birla Group, Jubilant, Amul, Mahindra, Reliance Industries and Mylan, as well as industry bodies including the CII (for all sectors) and SIAM (automobiles), the sources said.

At the Hanoi round of talks, though countries including China had sought elimination of tariffs on 92% of the traded items, India did not go beyond its offer of zero tariffs on 80% of the items (with a 6% deviation on some items), official sources had said earlier. They added that the implementation period that India has offered is 15 years for items from most RCEP countries, but a longer time frame of 20 years for other nations including China.

In return for this offer, India had sought greater market access for its services, including easier norms for professionals to move across borders for short-term work. However, most RCEP nations are reluctant to offer much in this regard, the sources said.

The Indian government had asked the local industry bodies including the CII to hold consultations and come up with some areas where India Inc. has “offensive interests” — meaning, where it needs greater access in the markets in the other RCEP countries. This was to be part of the negotiation strategy as India could then offer lower duties on some items in return for other countries lowering duties on the products where India Inc. has “offensive interests.”

However, the sources said, irrespective of their strengths and weaknesses, most of the local companies only informed them of their "defensive interests” — or, in other words, the sectors — including steel, agriculture and chemicals — that they need protection through high duties.

This has been informally conveyed to the Indian government, which is now understood to be finding it difficult to make a decision on India's ‘offensive interest’ areas. However, some segments (finished goods) in the engineering goods sector and textiles might find a place in the list of items where India will seek greater market access in the other RCEP nations.

Source: thehindu.com - July 23, 2017

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Indian textile sector needs a new policy push

India’s textile sector has the second-largest employment after agriculture, employing 32 million workers. It has the potential to double employment in the next seven years as per the vision document (for 2024-25). India has a rich mix of synthetic and natural fibres and yarns but still remains a cotton-focused. India was finding it profitable to export raw cotton to China because of Chinese government’s support for stockpiling cotton yarn. A

lso, the presence of cotton in yarn, fibre, fabric and garments is close to 70 per cent of usage within India, which is also reflected in exports. But, global trends are exactly the opposite, i.e., it has 70 per cent of synthetics and man-made fibres. So, India’s domestic and export mix is the opposite of global fashion and demand trends.

The inverse skew

The inverse skew of fibre usage in India is due to the skewed tax treatment. Until GST, the cotton value chain wascompletely free of indirect taxation whereas man- made fibre suffered a dead-weight tax of 12 per cent excise. That anomaly was supposed to be removed by uniform GST.

Instead of a fibre-neutral policy, we have a dual GST structure, with 18 per cent GST on upstream, and 5 per cent on all downstream, leaving an inverted duty structure. This has already led to much disruption, as can be seen in shutdowns or strikes in powerloom clusters in Bhiwandi or Coimbatore.

Urgent need for a new policy

Textiles, along with agriculture, construction and tourism, have large-scale job creation potential. It is a sector dotted with small and medium enterprises, which make up 80 per cent of the units. Thus, it is ideally positioned to be a poster boy for ‘Make in India’. This is also a sector which is undergoing a huge change due to automation, digital printing and the relentless rise of e-commerce. These developments threaten to completely change the face of this industry.

India’s share of textile exports in total exports (at 12 per cent), is half of what it was in 1996. Bangladesh’s garment exports exceeded India’s in absolute terms back in 2003 and today, it exports twice that of India.

Even late starter Vietnam overtook India in 2011. So, to address challenges like changing consumer and fashion trends, modernisation of machinery, skill upgradation, a fibre-neutral tax policy and meeting the needs of the e-commerce phenomenon, we need a national policy and implementation plan. A coherent and holistic national textile policy on the lines of national telecom policy can give a much fillip to Telecom Sector and avoid the risk of losing to countries like Vietnam and Bangladesh.

PowerTex India scheme

Recently the government launched PowerTex India, a comprehensive scheme for powerloom sector development, simultaneously at over 45 locations in the country. Launching the scheme in Bhiwandi, Thane district, Maharashtra, the Union textiles minister, Smriti Zubin Irani had said Bhiwandi will be known for resurgence in powerloom sector. The powerloom sector alone employs over 44 lakh people, and the scheme is expected to benefit small powerloom weavers.

With an outlay of Rs 487 crore for three years from 2017-18, it has nine major components, including two new ones. The two new schemes are Pradhan Mantri Credit Scheme for powerloom weavers and solar energy scheme for powerlooms. Existing powerloom units, new ones, and group enterprises in weaving will now get 20 per cent project cost with a ceiling of 1 lakh as margin money subsidy and 6 per cent interest subvention, both for working capital and term loan up to 10 lakh for a maximum period of five years.

Source: fashionatingworld.com - July 22, 2017

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Low cotton price favours mills, but yarn prices yet to revive

Yarn prices are expected to be range bound given moderate utilization levels and soft cotton prices. Spinning mills that were facing a problem during the first half of FY17 due to rising prices of cotton are soon set to see a U-turn in their fortunes. In the last two months, news of good monsoon, higher acreage under cotton cultivation and better output expected for the 2017-18 season are harbingers of stable, if not higher profitability.

Cotton prices soared from Rs 90 per kg to around Rs 140 per kg from April to November 2016. Lower crop and tight inventory levels fuelled prices in the domestic market. Meanwhile, news of China’s lower stock inventory led to hope that China’s cotton imports will resume again.

This too supported the high cotton prices. Spinning mills therefore bore the brunt of the high prices impacting operating margins during the last two quarters.

Yarn prices yet to revive

But softer cotton prices in the last two months bring hope for mills. Experts forecast a 10 per cent increase in acreage in the 2017-18 season after a similar decline in the previous season. Also, international prices are unlikely to firm up given the robust harvest in US and Australia. Domestic prices being linked to global indicators, they should therefore stay soft in the coming months.

The key, however, is for yarn demand to increase. India's total yarn production declined to a five-year low in FY2017. The demand from mills was weak during 2016 primarily due to a steep decline in cotton yarn exports (due to weak Chinese imports), which comprises a third of the country's output. Although exports have revived in the last few months, analysts believe that it is insufficient to offset the steep decline earlier.

Mills are also hopeful of higher off take by domestic fabric weavers given the festive season ahead and the pent-up demand following a near freeze in off take due to demonetisation and the uncertainty linked to the new goods and services tax (GST).

In the meantime, there is not much hope for mills in terms of realization on sales as yarn prices are expected to be range bound given moderate utilization levels and soft input (cotton) prices. Icra forecasts profitability of spinners to remain range-bound at a modest level sustained during the past three years.

Meanwhile, although the 5 per cent GST is a welcome step for the cotton textile industry, issues and costs related to compliance may lead to disruption in the supply chain for some more quarters, given the small and medium scale nature of spinners and weavers.

A true picture on operating performance would be seen only from the second half of FY2018.

Source: fashionatingworld.com - July 20, 2017

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Ginners from Telangana, Maharashtra visit textile units in Coimbatore, Tirupur

As many as 25 cotton ginners from Telangana and Maharashtra have partnered with about 35 textile mills here to supply cotton regularly.

They are visiting textile units across the value chain in Tirupur and Coimbatore and had a discussion here on Saturday with the textile unit owners. An initiative of Indian Texpreneurs Federation, the mills had purchased about two lakh bales of cotton jointly from about 50 ginners in Telangana and Maharashtra.

Prabhu Damodaran, secretary of the federation, told presspersons here on Saturday that the plan was to procure about four lakh bales jointly during the next cotton season (October 2017 to September 2018).

“By purchasing cotton as a consortium, we (textile mills) get market intelligence,” he said. The consortium also creates awareness among the ginners on the quality standards and gets cotton of better quality. “We have authorised agents in these markets for six months. We have also developed a rating mechanism. When the mills get the cotton the quality is rated. There are daily updates to the mills on the rates,” he added.

For the ginners, payment from the mills used to take a month or even more. There is a standardised payment system with the consortium and the ginners get the money in less than a month. There is a regular purchase of cotton too. For the mills, the transport cost comes down by Rs. 2 a kg if they purchase cotton from Telangana compared to buying from Gujarat.

Maharashtra has about 400 ginning units and expects over one crore bales of cotton production next season compared to nearly 90 lakh bales this cotton year. There is 10 % -15% increase in area, the ginners said. In the case of Telangana, the area under cotton is up by about 20 %. The production this year was 48 lakh bales and it is expected to go up to 70 lakh bales next season.

Source: thehindu.com - July 23, 2017

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