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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

# IBTEX No. 51 of 2017 Mar 10, 2017

USD 66.69 | EUR 70.68 | GBP 81.09 | JPY 0.58

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 20509 | 42900 | **82.06** |

**Domestic Futures Price (Ex. Gin), March**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 21450 | 44868 | **85.83** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( March 2017) | 76.63 |
| ZCE Cotton: Yuan/MT ( May 2017) | 16,115 |
| ZCE Cotton: USD Cents/lb | **88.20** |
| **Cotlook A Index – Physical** | **87.1** |

### Cotton & currency guide:

The US released its monthly USDA crop report on Thursday for the month of March. The report indicates slight higher revision in the US cotton production from the last month. The report has pegged US cotton production at 17.23 million bales while in the previous month the production was 16.96 million bales. In the meanwhile, domestic mill use in the country remains unchanged at 3.3 million bales while exports were raised higher to 13.2 compared to 12.7 million bales. However, ending stocks were decreased to 4.5 million bales vis-à-vis 4.8 million bales in the previous month.

By and large the scenario is broadly mixed for US cotton while the production figure is raised by 0.27 million bales the exports are likely to increase by 0.5 million bales. We believe the both supply and demand figures are being mostly offset to each other.

Therefore, marginal impact was noticed on the cotton price. The most active May cotton price traded steady near 77.54 cents per bale. We believe market would continue to remain steady with the ongoing price trend.

Coming onto the global scenario world estimates showed slight changes and a marginal increase in world production to 105.72 million with increased to the US while word consumption is mostly unchanged. The report states consumption is raised for Indonesia and Vietnam and reduced for Turkey and other countries. Meanwhile world beginning stocks are raised marginally due to higher estimated 2015-16 production in Australia. World ending stocks are now forecast at 90.48 million, higher than last moths 89.9.

Overall scenario is mixed for cotton in the global market. In fact broadly in the global perspective supply number continue to weigh on the demand while market has no major impact on the price. The other reasons driving price higher are the hefty speculative long positions, ongoing on-call sales in the US, higher exports from the US and supply from India is not optimum.

We believe cotton price may continue to remain steady in the near term.

More on the domestic front cotton price in India continued to remain steady near Rs. 44,000 per candy. Surprisingly the daily arrivals have come down substantially from an average of 180,000 bales a day to only 155,000 bales on Thursday. We believe this may continue to support cotton price to trade higher. Lastly on the futures front the most active March future at MCX is expected to trade in the range of Rs. 21200 to Rs. 21550 per bale. However, note further profit booking in the counter may with breaching of mentioned support at Rs. 21,200 may pull the price down to 21000 per bale.

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

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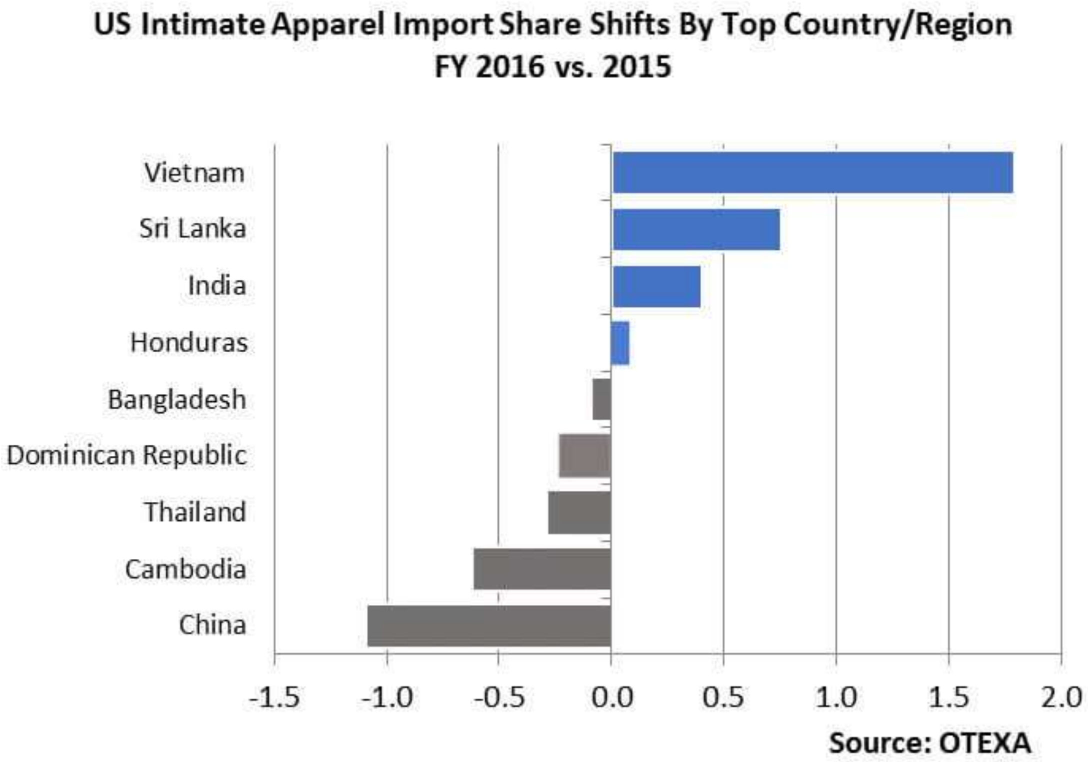
# INTERNATIONAL NEWS

## Despite TPP's Bleak Future, US Gets "Intimate" with Vietnam

The Trans-Pacific Partnership may be off the table, but that hasn't stopped Vietnam from becoming an increasingly important source of intimate apparel for U.S. brands and retailers.

U.S. imports of women's intimate apparel totaled $5.8 billion in 2016, a 2 percent drop compared to 2015, according to the most recent data from the Office of Textiles and Apparel (OTEXA). Total imported intimate apparel units fell 2.5% to 2.75 billion. The average cost in dollars per unit remained essentially flat.



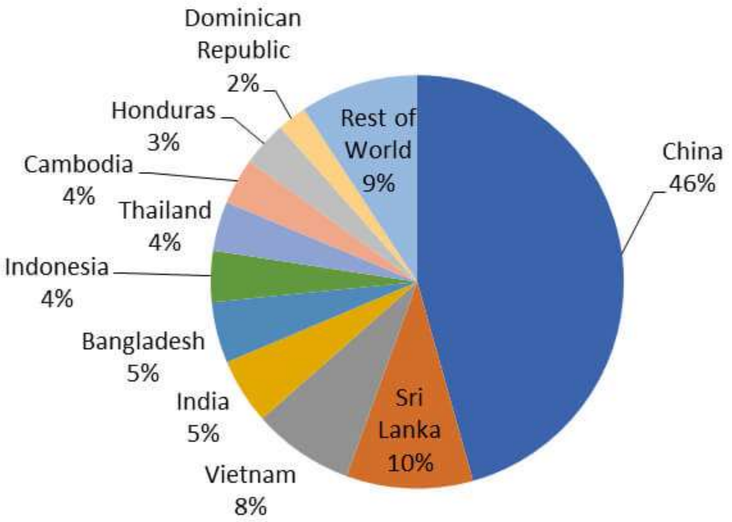

China is still the number one trading partner, representing 46 percent of total imports, down by more than one percentage point from more than 47 percent in 2015. Total U.S. imports of intimate apparel from China were $2.6 billion last year, down 4.5% from 2015.

Sri Lanka was the second largest intimate apparel trading partner in the year, with 10 percent of U.S. imports, a 0.8% share increase.

Imports in the category from Sri Lanka totaled $575 million in 2016, nearly 6 percent above the 2015 total.

Sri Lanka is home to several major intimate apparel manufacturers, including MAS Holdings and Brandix Apparel Solutions, which produce products for Victoria's Secret, Pink, PVH's Calvin Klein, Nike, Ralph Lauren, Gap, Spanx, Marks and Spencer, Hema and a host of others. Sri Lanka was not a member of the TPP and many industry experts felt that put companies in the country at a disadvantage when stacked against Vietnam.

U.S. Intimate Apparel Imports By Country of Origin (Dollar Volume) - FY 2016




Source: OTEXA

Apparel accounts for more than 40 percent of Sri Lanka's exports and the industry employs a large percentage of the country's skilled workforce. Intimate apparel represented more than 40 percent of the country's apparel exports to the U.S. last year.

Vietnam has been the number three intimate apparel trading partner of the U.S. for the past several years, and in 2016 it was the fastest growing of any top 10 trading partners in the category.

The country saw the dollar value of its intimate apparel exports to the U.S. grow by a sizeable 26.4% in 2016, to $460 million, resulting in a 1.8 percentage point share gain. Despite the rapid growth, intimate apparel remains only 4 percent of total U.S. apparel imports from Vietnam.

Several major textile and apparel companies had invested in Vietnam in anticipation of TPP.

Best Pacific, TAL Group, Texhong and Hyosung have all reportedly made significant textile and apparel investments in Vietnam.

| **Intimate Apparel Imports: FY 2016 vs 2015** | | | | | |
|---|---|---|---|---|---|
| *MM Dollars and Units* | | | | | |
| **APPAREL** | **Dollars Millions** | **Units Millions** | **% Chg Dollars** | **% Chg Units** | **% Chg $/unit** |
| | | | | | |
| **World** | **5,793** | **2,755** | **-2.2** | **-2.5** | **0.3** |
| China | 2,644 | 1,119 | -4.5 | -2.7 | -1.8 |
| Sri Lanka | 575 | 239 | 5.9 | 6.9 | -1.0 |
| Vietnam | 460 | 229 | 26.4 | 8.7 | 16.2 |
| India | 298 | 142 | 6.1 | -4.0 | 10.5 |
| Bangladesh | 277 | 266 | -3.9 | -8.3 | 4.7 |
| Indonesia | 231 | 65 | -2.4 | 1.6 | -3.9 |
| Thailand | 224 | 192 | -8.9 | 2.0 | -10.6 |
| Cambodia | 210 | 67 | -16.4 | -23.5 | 9.2 |
| Honduras | 206 | 171 | 0.3 | 1.1 | -0.8 |
| Dominican Republic | 132 | 41 | -11.4 | -10.7 | -0.8 |
| Rest of World | 536 | 223 | -9.1 | -9.4 | 0.3 |

There is much speculation about whether the growth will continue now that the U.S. has abandoned TPP, a trade deal that would have given Vietnam better access to the U.S. market. Even without TPP, however, Vietnam remains competitive among Southeast Asian countries and even—in some segments—China. With its favorable tariff rates, lower labor, electricity and other costs, and convenient location.

U.S. innerwear giant Hanesbrands opened its first Vietnam factory in 2007, and has expanded further since then.

India also enjoyed above-average growth in its intimates exports to the U.S. last year, while Cambodia and the Dominican Republic saw their shipments to the U.S. decline the most of any top 10 trading partner in the category.

Source: sourcingjournalonline.com– Mar 08, 2017

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## Bangladesh witness slowdown in apparel shipment

Bangladesh witnesses slowdown in apparel shipments that account for more than 80 percent of national exports due to a fall of the euro against the US dollar as well as the Brexit issues, the US elections and a decline in consumption in the West, said Siddiqur Rahman, president of Bangladesh Garment Manufacturers and Exporters Association.

Rahman said that the UK is the third largest export destination for Bangladesh. But exports to this destination began declining due to Brexit that took place in June last year.

Garment shipments to the UK declined 5.19 percent to $1.53 billion in the first half of 2016-17. Usually, Bangladesh exports apparel worth more than $3 billion to the UK in a year.

Similarly, apparel export to the US, the single largest export destination for Bangladesh, declined a bit because of a volatile economy after the national elections.

Of the top 10 exporters to the US, apparel shipments of only three countries were in the negative territory in January. Among the three, Bangladesh's garment export declined 2.31 percent to $500 million in that month.

Garment exports to the US from India, Pakistan and Vietnam, the major competitors of Bangladesh in the global apparel markets, increased in January.

Rahman said that people in the western world are now spending more on smart gadgets than on clothing. This is a major reason for a fall in consumption of clothing items worldwide.

In July-February, earning from the garment sector was recorded at $18.63 billion, which is 2.82 percent higher than that in the corresponding period of the last fiscal year, data showed. The February receipt from garment export was 5.64 percent lower than the periodic target at $19.75 billion.

Bangladesh to reach their export target at $50 billion at the end of 2021, they need to grow at 12.25 percent every year but they are growing at only 2 to 4 percent now.

Source: yarnsandfibers.com– Mar 09, 2017

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## Monsanto to trial GM cotton using new technology

Monsanto a biotechnology giant will trial GM cotton using new technology in the Ord Irrigation Scheme this year, which could prove more resistant to thrips, mirids and caterpillars. They are also in talks with Department of Agriculture Western Australia to secure a "tiny" trial plot at Kununurra Research Station.

It plans to grow GM cotton using its pipeline biotechnology Bollgard III, approved for Australian use last year. The new technology is a step up from Bollgard II and includes a new gene, Vip3A, which works with Cry1A and Cry2Ab to produce proteins which kill insects.

Mosanto managing director Tony May said that it was early days for the new variety, designed to target a wider pest spectrum. It's a very slow process.

Monsanto secured approval to grow the trial plot from the Office of the Gene Technology Regulator last year and plans to plant in May. Ord farmer Matt Gray said that he was keeping a close eye on the viability of cotton in the Ord.

The cucurbit and melon farmer recently planted a 3ha, six-variety GM cotton trial on his property with CSIRO research agronomist Stephen Yeates. The trial will assess how the varieties cope as a wet season crop. He said that while both trials were interesting, without a cotton gin (processing plant) nearby the cost of freight meant cotton was not viable in the Ord long-term.

Chinese-owned Kimberley Agricultural Investment, which farms at the Ord, plans to eventually build a cotton gin in Kununurra. If it can secure relevant approvals, KAI plans to grow up cotton north of Kununurra after paying $60 million to acquire Carlton Hill Station from Consolidated Pastoral Company last year.

The sale meant KAI leased back the cattle station side of the company to CPC but retained 15,000ha of freehold land to develop irrigated cropping. KAI managing director Jim Engelke said that the Ord had never had the scale or infrastructure needed. They have always lacked scale for anything and 10,000ha gets you the scale you need. That gives you 100,000 bales to put through a cotton gin, which drives all of your logistics.

Almost all Australian-grown cotton is genetically modified with more than 80 percent grown using former Monsanto's GM varieties. For Monsanto, growing GM cotton in the Ord would present a business opportunity.

Source: yarnsandfibers.com– Mar 09, 2017

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## China: February cotton yarn imports may increase 4.76% m-o-m to 182.6kt

### 1. Traders' reflection

Around 59% of traders under survey reflected that arrivals of imported cotton yarn in Feb 2017 were higher than Jan, around 8% of traders expected Feb arrivals to be flat with Jan, and around 33% of traders expressed that Feb arrivals were smaller than Jan.

### 2. Estimate of arrivals

### 2.1 Cost of mainstream products

Feb arrivals of Indian cotton yarn were mainly ordered in end-Dec 2016 or end-Jan 2017, with price for forward carded 32S for air-jet staying at $2.64-2.76/kg, equal to around 22,300-23,700yuan/mt after-tax, based on exchange rate at 6.86-6.98, around 600-800yuan/mt lower than spot goods in China. Purchasing was supposed to appear during that time when price was climbing up although there was no price advantage.

Feb-arrivals of Pakistani cotton yarn were mainly ordered in Nov-Dec, 2016, with forward grade-A siro-spun 10S reaching $2.26-2.31/kg, equal to around 18,900-19,800yuan/mt, based on exchange rate at 6.78-6.94, with disparity with spot goods in China peaked at 500yuan/mt and bottomed at 300yuan/mt. Pakistani siro-spun cotton yarn enjoyed higher advantage, so trading was expected to warm up slightly.

Feb arrivals of Vietnamese cotton yarn were mainly procured in Jan with forward price for carded 32S for rapier staying at $2.68-2.76/kg, equal to around 22,000-22,800yuan/mt after tax, based on exchange rate at 6.89-6.96, with disparity with spot goods in China peaked at 500yuan/mt and bottomed at 300yuan/mt. Price advantage recovered, so transactions rebounded slightly.

In summary, purchasing volume of Indian cotton yarn in Feb may inch down on the month, that of Pakistani cotton yarn may edge up stably, and that of Vietnamese cotton yarn may rise too.

2.2 Cotton yarn imports around Chinese New Year holiday

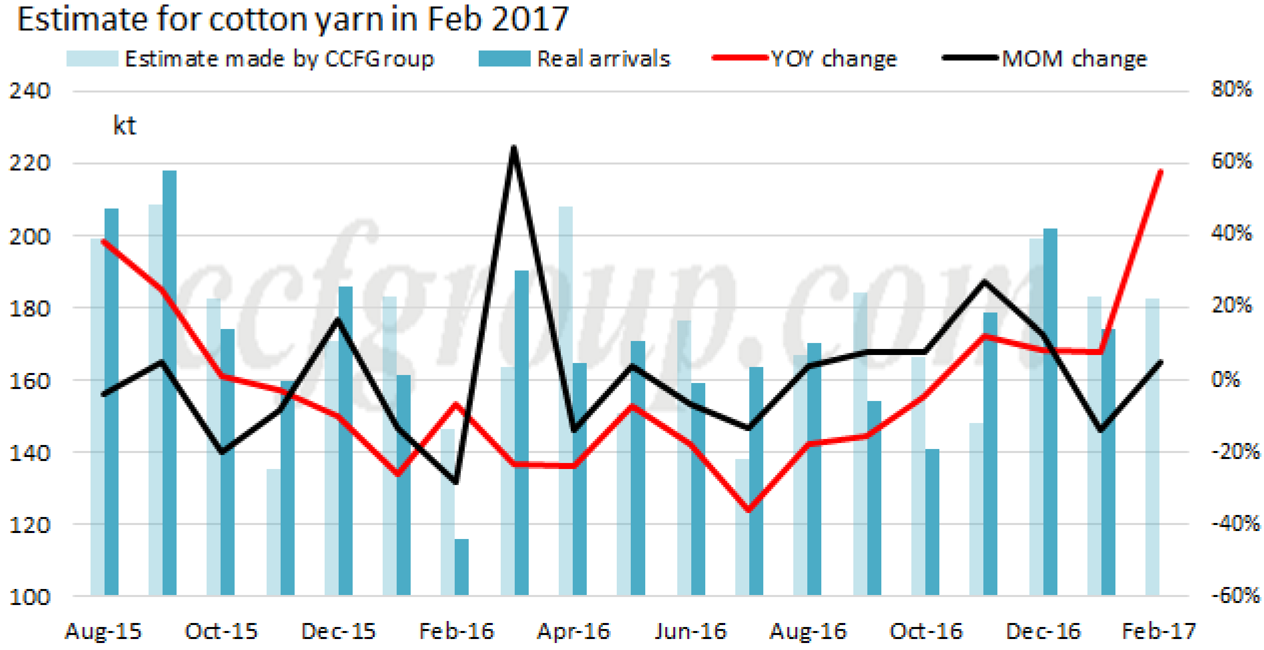
| **Cotton yarn imports around Spring Festival (Unit: kt)** | | | | |
|---|---|---|---|---|
| **Year** | **Spring Festival** | **Cotton yarn imports** | | |
| | | **1-month forward** | **Current month of Spring Festival** | **1-month afterward** |
| 2012 | 23-Jan | 101.14 | 71.66 | 123.52 |
| 2013 | 10-Feb | 181.93 | 102.37 | 199.43 |
| 2014 | 31-Jan | 172.79 | 180.91 | 153.35 |
| 2015 | 19-Feb | 217.84 | 124.09 | 248.56 |
| 2016 | 8-Feb | 161.49 | 115.95 | 190.53 |
| 2017 | 28-Jan | 201.6 | 174.3 | ? |

Spring Festival affects imports of cotton yarn in China, and the imports of cotton yarn will usually reduce apparently during the month of Spring Festival.

The Spring Festival was on Jan 28 this year, and many spinners and weavers resumed work on Feb 4, so the imports of cotton yarn in Feb were not greatly impacted by the Spring Festival.

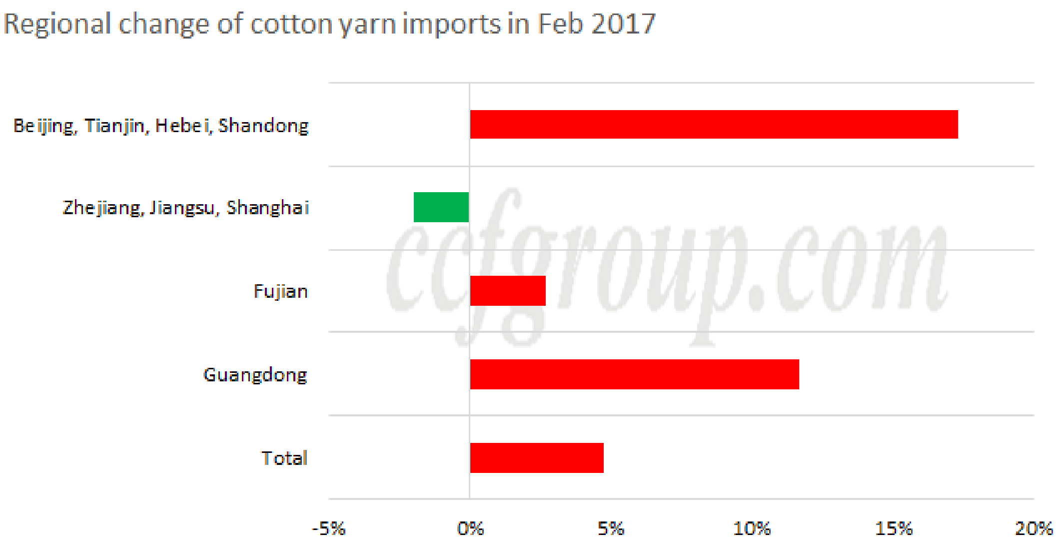
On the contrary, arrivals of imported cotton yarn in Feb are likely to accumulate on the month.

2.3 Survey on sampling companies




According to survey made by CCFGroup, some traders delayed the replenishment in Jan into Feb, while some traders reflected that the procurement dipped in Feb amid higher price. Imports of cotton yarn from companies investing overseas in Feb were reflected to reduce. Based on above analysis, cotton yarn imports may rise by 4.76% on the month to around 182.6kt in Feb 2017, up by 57.41% y-o-y.

## 3. Regional estimate



Arrivals in Guangdong in Feb is expected to accumulate by around 17.30% compared with Jan. Spot inventory of imported cotton yarn was ample in Feb, while downstream demand was dull.

Price of imported siro-spun low count cotton yarn was weak to stable and grade-A siro-spun 10S was stayed at around 19,200-19,300yuan/mt. Stocks of imported cotton yarn may decline in Guangdong in Mar and price may inch up.

Arrivals of imported cotton yarn are anticipated to accumulate by 18.46% on the month in Fujian.

Stocks of imported cotton yarn slightly mounted in Fujian in Feb and price ticked up, coupled with better demand. Inventory of spot imported cotton yarn is expected to dip in Mar in Fujian and price is likely to rise further.

Arrivals in Zhejiang and Jiangsu in Feb are supposed to drop by 2% m-o-m. Imports from companies invested overseas declined in Feb.

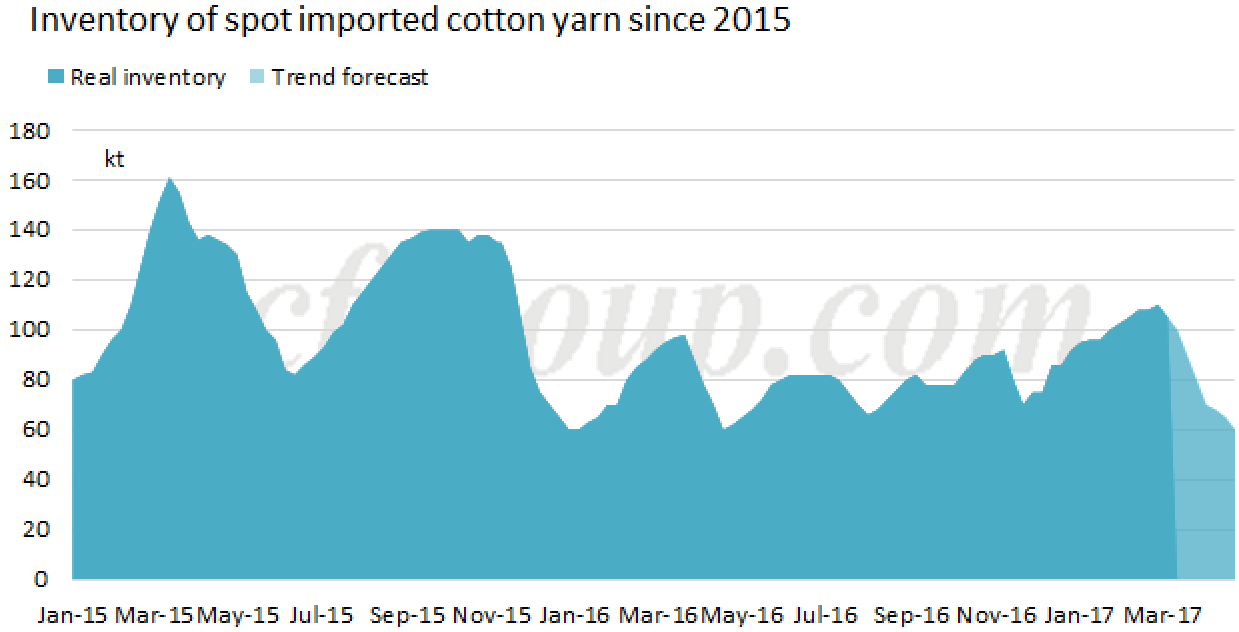
Spot supply of imported carded 32S for weaving was not huge in Feb, that of imported carded 21S for weaving was ample, and that of combed cotton yarn and open-end low-count cotton yarn was moderate. Price of spot imported cotton yarn is anticipated to rise in Zhejiang and Jiangsu in Mar and stocks may slip.

Arrivals of imported cotton yarn in North China in Feb may increase by 4.76% on the month.

Stocks of imported cotton yarn rose slightly in Feb while were not high, and price of spot imported cotton yarn climbed up.

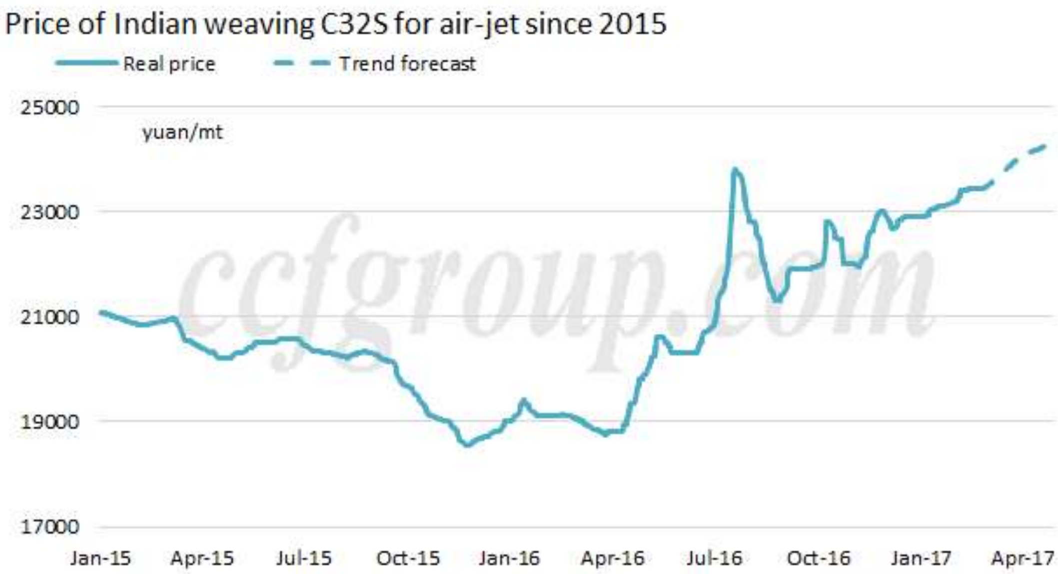
Stocks of imported cotton yarn are supposed to be low in Mar in North China and price is expected to accumulate.

## 4. Inventory assessment




Arrivals of imported cotton yarn in Feb may inch up on the month, and downstream buyers showed higher buying interest, but stocks of imported cotton yarn slightly rose to around 100kt at major China ports. Cotton yarn imports in Mar may be not high, stocks may dip and price of imported cotton yarn may firm up.

## 5. Market outlook




According to arrivals assessment for cotton yarn, spot inventory of traders and downstream demand, inventory of imported cotton yarn may drop apparently in Mar, operating rate of downstream weavers is likely to be stable, supply is expected to be tight, and price is likely to firm up.

*Note: The telephone survey made by CCFGroup involves around 40 companies, containing around 55% of total cotton yarn imports. The sampling survey is incomplete and the result is only for reference.*

Source: ccfgroup.com- Mar 09, 2017

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## China: Encouraging Regional Trade Following US Withdrawal from TPP

The recent US withdrawal from the Trans-Pacific Partnership (TPP) shook the Asia-Pacific region. It has prompted governments and stakeholders across the region to question why the United States walked away from an agreement offering substantial economic and strategic benefits. But it was not entirely unexpected.

Indeed, the US presidential election illuminated widespread skepticism about the benefits of trade agreements, as well as a broader backlash against trade and globalization—perceived causes of job losses, stagnant wages, and income inequalities.

Meanwhile, global growth remains slow and uneven—both between and within countries. According to the International Monetary Fund, the global economy is projected to grow only 3.4 percent this year, with growth having stagnated in recent years. Similarly, according to the World Trade Organization (WTO), global trade is slowing, growing only by 1.7 percent in 2016, down from 2.7 percent in 2015.

Nevertheless, the Asia-Pacific is a bright spot amid global uncertainty and tepid growth. In 2016, nine of the fifteen fastest-growing economies were in this region. Historically, trade has been one of the strongest contributors to growth and stability, particularly in Asia.

The number of trade agreements in the Asia-Pacific has quadrupled since 2000, which, according to Jayant Menon, has enabled these countries to grow their economies, introduce much-needed reforms, and provide better livelihoods for their citizens.

Meanwhile, key economic, technological, and institutional developments are rapidly changing the very nature of trade and investment.

The emergence of global value chains (GVCs), the increasing importance of services in trade, the growth of digital commerce, the link between trade and foreign direct investment, and the rise of small and medium-sized enterprises' (SMEs) engagement in the global economy are creating new economic opportunities for businesses of all sizes.

With the TPP's future uncertain as a result of the withdrawal of the United States, its largest member, and with the Regional Comprehensive Economic Partnership (RCEP) negotiations entering their fifth year, Asia's trade landscape is at a critical juncture.

**Trade Policy Commission Findings and Recommendations**
***The Case for Regional Trade Agreements***

In evaluating the trade and investment trends and prospects in the region and around the world, the Commission Members arrived at a central finding: regional trade agreements offer the best path forward to liberalize trade, raise standards, and promote broad reforms.

Regional agreements allow countries to simultaneously tap into a number of markets at scales often unattainable through bilateral deals.

Moreover, regional agreements lend themselves to greater utilization. Having the same standards and rules for all participating countries reduces confusion and encourages businesses, especially SMEs, to take advantage of the benefits of these agreements.

Further, regional trade deals, with the advent of GVCs, better reflect the way business is actually conducted. In addition, regional agreements allow more countries to be on the same page regarding complex and emerging issues, such as data flows.

Recognizing that bilateral trade agreements will remain an important feature in the global trading system, the Commission Members urge that all deals, including bilateral agreements, be comprehensive, incorporate high standards, be WTO consistent, and enumerate clear accession provisions to encourage greater regional integration. This finding serves as a central thesis around which the Commission recommends action in four areas.

**The Commission affirms that policy makers should, in light of the U.S. withdrawal, advance the TPP's high standards in the Asia-Pacific region.** As such, the Commission Members:

Urge the United States to reconsider its position on the TPP, even with possible adjustments;

Encourage countries to advance the high standards found in the TPP through unilateral reforms, other trade negotiations, and WTO activity; and Welcome the potential for TPP countries to bring the agreement into force without the United States, including inviting additional Asian economies to join.

**The Commission concludes that member countries should work hard to raise RCEP's standards.**

To accomplish this, the Commission Members:

Advise RCEP members, in line with RCEP's own principles and objectives, to negotiate a high-quality agreement and not be tempted to adopt the lowest common denominator approach; and

Recommend RCEP parties seek substantially stronger outcomes, particularly for SMEs.

**The Commission concludes that countries should pursue complementary opportunities for liberalization in the Asia-Pacific region.** Accordingly, the Commission Members:

Advocate that countries collaboratively intensify multifaceted capacity-building efforts to help developing countries raise standards to be included in their trade agreements;
Urge multilateral trade fora to focus their work on emerging trade issues such as digital trade, state-owned enterprises, and GVCs, noting that the Asia-Pacific Economic Cooperation (APEC) is particularly well positioned to do so; and

Recommend countries that are interested in pursuing regional trade agreements consider establishing a stand-alone SME agreement, based largely on the relevant provisions in the TPP.

**The Commission affirms that policy makers must rebuild support for trade amid growing skepticism about globalization.** To this end, the Commission Members:

Counsel governments and multilateral bodies such as the Group of 20, WTO, and APEC forum to more effectively communicate the benefits of trade agreements, using concrete terms that are meaningful to the everyday interests and concerns of ordinary people, rather than explaining broad macroeconomic impacts;

Urge countries to proactively pursue appropriate domestic policies, including robust adjustment assistance, retraining, and education programs—which are too-often viewed as afterthoughts—in parallel with trade agreements; and

Advocate that multilateral fora serve as hubs for policy makers to exchange ideas and collaboratively generate best practices on how to help those impacted by trade and globalization.

## Conclusion

In addition to slowing trade worldwide, an emerging rebuke of trade and globalization threatens the potential for growth and liberalization. While trade has been a fundamental driver of global growth, raised standards, and created opportunity—particularly in the Asia-Pacific region—its potential is not yet fully realized.

These recommendations encourage countries to promote high standards in trade agreements that go well beyond WTO rules and address emerging issues; build support for trade by tapping into underutilized areas, such as SMEs; and urge multilateral fora to elevate the discussion on requisite domestic policies to help those adversely affected by trade and globalization. As the global landscape changes, so too must trade policy.

The Commission Members urge policy makers not to allow today's uncertainties to overshadow tomorrow's opportunities. With global growth lagging and global trade inching along, bold action is needed.

Source: chinabusinessreview.com– Mar 09, 2017

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## Textech 2017 to focus on Sri Lanka's textile sector

The 8th Textech Sri Lanka 2017 International Expo, an exhibition on textile garment technology and machinery, focuses on the entire textile and garment sector of the country.

The fair is currently underway in Colombo along with two concurrent fairs, – 26th Dye+Chem Sri Lanka 2017 International Expo and 8th Colombo International Yarn & Fabric Show 2017.

More than 200 exhibitors from over 6 countries are participating in these three-day expos. The 3 expos are targeting the entire business community and are playing an important role by assembling worldwide technology, machinery and material manufacturers and chemical sector under one roof.

The Dye+Chem expo is not only targeting the textile and apparel sector, but also to the entire manufacturing sector of Sri Lanka.

CEMS-Global's Sri Lanka branch, CEMS Lanka, launched the fair with a vision to further expand into the fast booming Sri Lankan sector and bringing reputed international manufacturers and suppliers through its exhibitions to Sri Lanka.

With the ever increasing competition in the world market, the industries of Sri Lanka can expand their share in the market abroad and at the same time attract more foreign investment in the garment and textile industry, said CEMS Lanka in a press release.

The textile and apparel industry of South Asia has a key position in the export sector. Keeping in mind the potential of this sector and to further boost exports, CEMS-Global has been organising the Textech series of exhibitions for the last 17 years.

The organiser brought this International branded exhibition to Sri Lanka as there is a need for exhibitions, which display the latest technology that the country can obtain to compete in the global market.

The Textech, Dye+Chem and Yarn & Fabric are CEMS-Global's international series of exhibitions which are held in Sri Lanka, Bangladesh, Brazil and Indonesia. Dye+Chem and Yarn & Fabric series of events are also organised in India and Singapore.

Source: fibre2fashion.com - Mar 09, 2017

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## Kenyan govt to provide subsidies and training to revive cotton farming

The Kenyan Ministry of Agriculture to revive cotton farming which is mainly practiced by small holder farmer to give farmers subsidized seeds, training and partnering with local and international players to lobby for better business environment. They are employing and implementing solutions that will allow to revive the sector.

The ministry will introduce new irrigation methods to enable it cultivate 100,000 hectares by 2021. Kenya's average cotton production per hectare is lower than the world's average due to higher cost of input and little mechanization.

The country's average yield per hectare is 572 kilos against the world's average of 726 kilos, Agriculture Cabinet Secretary Willy Bett said in a speech read by the ministry's director of crop management Johnson Irungu.

There is about 384,500 hectares of irrigated and rain-fed land for cotton farming, with only 10.4 percent under irrigation.

The government will also enhance relationships with researchers to advise on the seeds that will produce quality cotton. Also three new varieties of seeds are certified, which are resistant to pests such as termites.

Kenya will import two tonnes of certified seeds from Israel to distribute to local smallscale cotton farmers in the coming long rains season as part of efforts to revive the industry.

The importation deal is being undertaken with a view to improving local cotton productivity and as well increase farmers' income base.

Source: yarnsandfibers.com– Mar 09, 2017

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## Pakistan: Loans to textile industry soar despite falling exports

Textiles seem to have bounced back as bank advances to the sector were record high in 2016.

The textile industry is the backbone of the economy and generates the highest export earnings. Yet it appears to have failed in coping with the new challenges that emerged in the global textile and fashion industry in recent years.

Under Textile Policy 2015-19, Rs64.15 billion will be spent to increase the exports of textile and clothing items from the existing $13bn to $26bn by 2019. Pakistan is the fourth largest producer of cotton in the world and holds the largest spinning capacity in Asia after China and India.

A recent report issued by the State Bank of Pakistan (SBP) reveals that year-on-year growth in textile sector advances has been Rs90bn in 2016 in contrast to the net retirement of Rs30bn in 2015.

Recently, the government announced a package of Rs180bn that gives several incentives to the textile sector to boost exports. The current export finance rate of 3.5 per cent is the lowest in a decade, especially for the textile sector.

However, another report by the SBP indicates that the textile sector's performance on the export front was worse than the preceding year when it retired debt instead of borrowing.

Exports in the first half of 2016-17 fell to $6.151bn compared to $6.545bn a year ago. The output of the fresh borrowing of Rs90bn by the textile sector in 2016 has yet to be seen.

Experts believe the industry could not adapt to technological changes in the global textile industry. This was in contrast with Bangladesh and Taiwan, which succeeded in making inroads into the global market in a short period of time.

For 2015, garment exports from Bangladesh to the United States grew 12pc to $5.4bn. Vietnam did even better by growing its exports 14pc to $10.6bn. India's apparel exports to the United States in 2015 grew just 8pc to $3.4bn.

Pakistan is the fourth largest producer of cotton in the world. Yet it failed to attract investors to its textile industry. Bangladesh has emerged as an attractive destination for Indian readymade garment manufacturers.

Many Indian businesses have set up units in Bangladesh simply because the country offers ease of doing business. Bangladesh does not produce cotton. But it has successfully adopted the latest technology and machines.

Pakistan is going to face a challenge from Vietnam after dealing with similar challenges from China, India and Bangladesh. According to one estimate, Vietnam's textile exports will double to $55bn between 2015 and 2025.

Vietnam is emerging as a world production centre for textile products as major global apparel makers expand their production operations in the country.

Source: dawn.com– Mar 10, 2017

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# Australia: Cotton prices will gradually increase till 2021-22: Abares

As demand outpaces production, cotton prices are likely to gradually increase, according to Abares, the official Australian commodities bureau. The forecast factors in expectations of continued declines in world inventories, which is projected to fall from a high of 24.3 million tonnes around two years ago to 16.0 million tonnes in 2021-22.

Cotton prices, as measured by the Cotlook A index, averaged 78 cents a pound this season, on an August-to-July basis. Abares forecast this price to average 80.4 cents a pound in 2017-18, and gradually rising to 88.0 cents a pound in 2021-22.

This also implies that the cotton price is likely to fall in the short-term as the Cotlook A index currently stands at around 87 cents a pound.

The demand for cotton will keep on rising despite favourable returns to growers. Global cotton consumption will, after a 7 per cent jump next season, rise by 2.4 per cent a year, spurred by "an expected rise in demand for clothing and textiles in Europe, the US, Japan and Australia". This will lead to an increased mill activity in top textile manufacturing nations including India, Bangladesh, Turkey and Indonesia.

"The textile and garment industries in these countries are expanding rapidly," Abares said, while flagging the prospect of "constrained" consumption in China, where a growing reliance on imported fibre will constrain industry competitiveness. "China is facing strong competition in the international textile market from neighbouring, low-cost Asian countries such as India, Bangladesh, Vietnam, Indonesia and Cambodia."

Meanwhile, supported by the improved production, and "strong world demand for high quality Australian cotton", Abares expects Australian exports to rise 44 per cent to 774,000 tonnes this season, and to 1.06 million tonnes in 2017-18.

Source: fibre2fashion.com– Mar 09, 2017

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# USA: Moody's revises US apparel industry profit growth to 3-5%

After a very challenging 2016, US apparel and footwear industry operating profits are poised to improve over the next 12-18 months, but growth will be more sluggish than originally anticipated, Moody's Investors Service says in a new report. Moody's now forecasts industry operating profit growth to come in at 3-5 per cent this year, rather than 5-7 per cent.

Most US clothing and footwear companies are still feeling the pressure from a strong dollar and weak retail traffic, factors that will result in a soft first-half of 2017, when the majority of growth will be powered by Nike, Inc, the report says.

"Our forecast for US apparel and footwear makers' operating profits this year for the most part reflects easy comparisons with a difficult 2016," said Moody's assistant vice president, Mike Zuccaro. "Conditions will remain challenging in the first six months of this year, and will only really begin to improve in the second half. Growth will accelerate in the latter half of 2018, assuming the dollar remains near current levels and inventory levels are kept in check."

"Without Nike, which accounts for almost half of Moody's-rated US apparel and footwear industry operating profit, growth would be flat this year," Zuccaro says. It is because companies continue to contend with choppy retail traffic, which has escalated promotional battles, while the cost of goods sold has been higher owing to the continued strength of the US dollar.

As prospects for expansion diminish in the mature US market, companies including Nike, Inc, PVH Corp, Levi Stauss & Co and Under Armour, Inc will continue to develop international growth opportunities, particularly in emerging markets where increasing prosperity is fuelling purchases of branded apparel.

However, smaller companies that rely on US retail customers, such as department stores, will remain challenged, states the report.

US apparel and footwear companies also continue to face higher costs for labour, as well as for inputs such as cotton.

Since most companies have raised prices to help partially offset higher dollar-related costs, the ability to implement additional near-term increases will remain a challenge, particularly for moderately- or value-priced apparel and footwear.

Meanwhile, the rating agency expects companies to continue to pursue merger and acquisition (M&A) opportunities as they look for new sources of growth. Hanesbrands was very active in this respect last year, for example, as was G-III Apparel, which expanded its portfolio of brands by acquiring Donna Karan.

Source: fibre2fashion.com– Mar 09, 2017

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## Vietnam: Production improves, trade unbalanced: MoIT

Production and business results improved in the first two months of this year, but trade was unbalanced with strong growth in auto and mobile phone imports, the Ministry of Industry and Trade reported.

The ministry said in the first two months, export value grew 15.4 per cent to US$27.3 billion, including $7.6 billion from wholly State-owned enterprises, up 12.2 per cent, and $19.7 billion from foreign invested firms, up by 16.8 per cent against the same period last year.

Notably, the processing industry achieved a year-on-year surge of 15.5 per cent in export value to $22 billion, accounting for 80.6 per cent of the total national export value. Meanwhile, farming, forestry and fishery export value reached $3.2 billion, 9.9 per cent higher than the same period last year, accounting for 11.4 per cent of the total value.

The high export value growth in the first two months of 2017 is particularly significant given the relatively low 2.0 per cent growth during the same period last year and failure to reach a two-digit value growth rate in 2016, the ministry said.

Moreover, average export prices increased sharply during the first two months, including cashew (20.3 per cent), coffee (31.9 per cent), crude oil (61.9 per cent), rubber (81 per cent) and coal (115.5 per cent). However, the export prices of farming, forestry and fishery products dropped.

The increase in export prices contributed to a surge of $736 million in total export value during the two months against the same period last year, the ministry's representative said. Export value of textiles and garments in the first two months also rose by 12.2 per cent to $3.66 billion year-on-year.

Lê Tiến Trường, general director of Việt Nam Textile and Garment Group (Vinatex), said many Vinatex businesses had obtained stable long-term orders for the second quarter and beyond.

Total export value of textile and garments this year was expected to increase by 6.5-7 per cent to $30 billion, Trường said, with US and Japan its major markets.

**Auto and telephone imports**

The ministry said the imports of some products experienced strong growth during the first two months of this year.

The import growth of products such as under-nine-seater vehicles, mobile phones, vegetables and fruits, could impact the general trade balance.

In the first two months, Việt Nam spent $153 million to import 9,500 complete-built-units of under-nine-seater vehicles, a year-on-year increase of 139.6 per cent, while import value surged by 129 per cent for mobile phones and 129.8 per cent for vegetables and fruits.

These imports partly contributed to a 20 per cent increase in total import value to $27.4 billion in the two months, the ministry said.

The nation had a trade deficit of $46 million in the first two months, it said, $3.5 billion for local enterprises and $3.4 billion for foreign companies.

Industry and Trade Minister Trần Tuấn Anh praised the high export growth, but urged enterprises to focus on sustainable export development, vietnamplus.vn reported.

He said enterprises should focus on diversifying export products and markets to avoid dependence on products which have the advantage of cheap workers and on markets which have the benefit of free trade deals.

“We must re-organise production to ensure competitive ability, especially competitive ability based on factors adding value, such as technology and labour productivity,” Tuấn Anh said.

To limit the trade deficit and control imports, the ministry said the State should have solutions to control the fast-growing import of such products as mobile phones, scrap steel, under-nine-seater automobiles and precious metals, as well as vegetables and fruits.

Source: vietnamnews.vn– Mar 09, 2017

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# NATIONAL NEWS

## Ind-Ra maintains a stable outlook for cotton textiles for FY18

India Ratings and Research (Ind-Ra) has maintained a stable outlook for cotton textiles for FY18. However, the agency has revised its cotton outlook to stable for FY18 from negative for FY17. In addition, the agency has revised its outlook for synthetic textiles to stable for FY18 from negative for FY17.

he stable textile outlook is in view of stable input prices, healthy capacity utilisation and steady domestic demand scenario in FY18 and support emanating through fiscal incentives and implementation of Goods and Services Tax (GST) that will improve the textile industry's export competitiveness.

Moreover, the US's exit from the Trans-Pacific Partnership is likely to realign textile trade and investments towards the Indian subcontinent that were diverted to Vietnam over FY16-FY17.

The stable cotton outlook is in view of an increase in acreage, a rise in supply in 1QFY18 (due to demonetisation) and a decline in global inventory assisting with a balanced supply.

Ind-Ra expects operating profitability levels of Indian cotton ginners and exporters to moderate in FY18. Liquidity position of small players was acutely affected due to a surge in cotton prices in 1HFY17, followed by a challenging operating environment in 2HFY17 due to demonetisation.

Ind-Ra expects cotton acreage to increase 10%-15% to nearly 120 million hectares in FY18, leading to increased production. Ind-Ra projects a domestic stock-to-use ratio of nearly 13% for cotton marketing year (MY) 17-18 (MY16-17: 15.3%, MY15-16: 13.8%).

The expectation is in view of continued auction of Chinese reserves and global cotton processing countries (excluding China) holding about six months of inventory.

"A unified tax structure in the form of GST is likely to create a level playing field for the cotton and polyester industries, and promote enhanced sponsor interest towards the polyester chain," stated a release from the agency.

According to the agency, textile companies would be able to deleverage their balance sheets in FY18 in the absence of major investments due to adequate capacities and pending uncertainty over the GST tax rates. The next round of investment cycle is expected from FY19. Ind-Ra expects an improvement in the credit profiles of textile companies, including raw cotton players, driven by lower cotton inventories, limited capital investments and reduced borrowing costs.

Favourable trade agreements with the US and Europe leading to a significant increase in India's exports and a higher-than-expected domestic demand would be positive for the sector outlook.

According to Ibd-Ra,any or combination of the following factors could lead to revision of the sector outlook to negative:

Slowdown in demand emanating from weak domestic spending in or protectionist trade policies by the US or Europe leading to underutilisation of capacities High volatility in input prices adversely impacting contribution margins.

A substantial increase in domestic mill cotton consumption, driven by a rise in demand for Indian textiles on account of higher domestic consumption and/or exports will lead to a revision in sector outlook to positive.

A substantial increase in global cotton production leading to a high stock-to-use ratio than FY15 and/or increased cotton prices on account of GST leading to a higher-than-expected shift from cotton to man-made fibres will lead to a revision in sector outlook to negative.

Source: economictimes.com- Mar 10, 2017

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## What US trade salvo could mean to India's trade

With the US being one of the few countries that India runs a huge trade surplus with, the trade policy agenda for 2017 unveiled by the US, is worrisome.

The report raising concerns on India's export subsidy programmes and import restricting measures, could mean a bumpy ride for India's trade with the US. India's exports to the US stood at $40.3 billion in 2015-16, 15.3 per cent of India's total exports.

US ranks number one among India's export destinations. In the current fiscal (April-Dec), India's export to the US stood at $31.5 billion.

Imports into India from the US stood at $21.7 billion in 2015-16 and $16.1 billion during the April-Dec period this fiscal. After China, US ranks second among countries exporting to India. India's imports from the US form about 5.8 per cent of India's total imports.

India ran a trade surplus of $18 billion (2015-16) with the US, which could shrink if US trade policies start to hurt.

### Export subsidies

The 2017 trade policy report specifically states that the United States will continue to seek to engage India bilaterally to commit to a phase-out of its export subsidy programmes to the extent that they benefit the textile and apparel sector.

Textiles, apparel and clothing ranks second after pearls and stones in the list of items that are exported to the US. In 2015-16, India's exports of textile articles, apparel and clothing accessories, to the US stood at around $ 6.1 billion, 15 per cent of India's total exports.

Pearls and stones exports were at $8.6 billion, 21.5 per cent of total India's exports to the US, while exports of pharmaceutical products totalled $ 5 billion, 12.5 per cent of exports.

For the current fiscal (April-December), India's textile and apparel exports are about $4.4 billion to the US.

Nuclear reactors, boilers, mineral fuels are some of the other leading exports of India to the US.

**Import restrictions**

The report also highlights concerns in the Committee regarding India's decision to impose import tariffs on certain telecommunication products covered under the Information Technology Agreement (ITA), as well as India's tariff increases in a number of sectors that impact US exports to India.

Nuclear reactors, boiler, machinery tops the list of India's imports from the US. These imports totalled $ 3.8 billion in 2015-16, forming 17.7 per cent total imports into India from the US. Pearls and stones imports amounting to $ 3.1 billion formed 14.4 per cent of India's imports in 2015-16.

For the current fiscal (Apr-Dec), India's import of nuclear reactors, boiler, machinery from US stood at $ 2.3 billion.

Aircraft, spacecraft, optical, photographic, cinematographic measuring tools, electrical machinery and mineral fuels, are the other leading items of imports into India from the US.

Source: thehindubusinessline.com- Mar 09, 2017

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## Khadi body to promote banana leaf fibre apparels

The Khadi & Village Industries Commission (KVIC) is facilitating production of various products including apparels, by extracting fibre from banana leaves, primarily in the eastern parts of India. Banana fibre will be used in making handmade paper bag, statues, pen stand, besides clothing, and are as exclusive and distinct as silk yarns.

"We are promoting and facilitating research in extracting fibre from banana leaves which are in abundance in east India, for producing gifts, household items and wearable items," KVIC director (West Bengal) Siddhartha Roy told a news agency.

According to Roy, KVIC is promoting extraction of yarn from banana leaves for converting them in to garments and also make the initiative commercially viable.

KVIC will also host fashion shows in various cities to promote apparel made from banana leaf fibre, once the fabrics meet the three criteria's of fineness, softness and durability.

Source: fibre2fashion.com- Mar 09, 2017

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## The loom Revolution

THIRUVANANTHAPURAM: There's something called discharge print, where the cotton fabric is first dyed in a single natural colour, and then patterns are made on it by washing off the colour where the blocks (of block printing) are placed, making lovely motifs.

"The person who dyes our cloth in Machilipatnam (Andhra Pradesh) said that it is the finest cotton he has seen in recent times," said Sarita Dhawan from Team Malka.

And that's no small complement.Every time one lays eyes on stacks of printed cotton bursting in prints of Kalamkari and Ajrakh in shops, one doesn't just form the question, "From where does this cotton come from?".

But that's an important question that would merit no answer, says the Malka team, a decentralised, sustainable, field-to-fabric cotton textile chaingroup, as they like to call themselves. The group aims to do a dedicated job of spinning yarns of indigenous cotton.

Malkha will be exhibiting their yardage, sarees, dupattas and stoles in 'A Few Good Things' owned by Indu Nambiar and Nazreen Anil.
Gorgeous handloom cotton material in Kalamkari prints done in Machilipatnam and Kutchi Ajrakh prints look resplendent and are an echo of the rich Indian textile heritage.

"We spin our own yarn and as we only use natural colours, they might be a little uneven. But that's the character of it, not a flaw, like how the industrial technicians who market the powerloom material would call it," Arvind Leela Upender, from team Malka.

Source: newindianexpress.com- Mar 09, 2017

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## Ikea holds stakeholders workshop to plan Mumbai store

Home furnishing retailer Ikea conducted a stakeholder workshop in Mumbai to create its strategy for the state of Maharashtra. Attendees at the workshop included industry leaders, key opinion leaders, government officials, Ikea suppliers, NGOs, Ikea management and potential customers, with the agenda to stimulate the home furnishing market in the state.

In a statement, Ikea added that it has recently purchased 23 acres land in Navi Mumbai for its first store in Maharashtra, which will generate 500-700 direct employment opportunities.

"The insights from the workshop will help Ikea to have an effective understanding of the local community and build a plan that best complements the needs and aspirations of a progressive Maharashtra," CEO at Ikea India Juvencio Maeztu said.

Source: newindianexpress.com- Mar 09, 2017

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