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IBTEX No. 252 of 2016 Dec 15, 2016

USD 67.73 | EUR 71.18 | GBP 84.91 | JPY 0.58

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
18597	38900	**73.24**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19310	40392	**76.04**

International Futures Price

NY ICE USD Cents/lb (March 2017)	71.64
ZCE Yuan/MT (January 2017)	15,715
ZCE Cotton: USD Cents/lb	**87.75**
Cotlook A Index – Physical	**80.70**

Cotton & currency guide: Cotton price on Wednesday's trading session traded marginally positive. The both spot and future moved up. The most active December future ended the session higher at Rs. 19070 up by Rs. 110 from the previous close. This has been four consecutive days cotton price has been moving higher. The same move was seen at the spot price. The spot price traded positive above Rs. 39000 per candy and its impact was clearly visible on the futures market. Interior asking rates for Shankar-6 have ruled steady today, at Rs. 39,000 per candy, ex-gin. At the prevailing exchange rate, today's equivalent value is approximately 73.60 US cents per pound. Punjab J-34 has also remained unchanged, at Rs. 4,130 per bale (74.30 cents per pound). Nationwide, daily seed cotton arrivals are estimated at roughly 150,000 lint equivalent bales (170 kgs), with one third of that total coming from Maharashtra

From the global front there has been no major change and the ICE march continues to hold near 71.50 cents/lb. The activity in the global front is quite amid higher USD. The US Federal Reserve hiked the interest rate by quarter per cent pushing USD index to trade above 102.20. Therefore the dollar denominated assets is seen trading subdued. We believe ICE cotton market may continue to remain steady to slightly lower on today's trading session. Also this morning ZCE cotton is seen trading down by more than a per cent trading at 15545 Yuan/MT. We believe the global cotton may remain under stress

Overall for the day we expect domestic cotton futures for the said contract to trade in the range of Rs. 19200 to Rs. 18900 and recommend selling from higher levels. The ICE future is expected to move in the range of 72 to 71 cents per pound

NEWS CLIPPINGS

INTERNATIONAL NEWS

China Solidifies US Retail Partnership Amid Shifting Economy

China's retail sector doesn't seem at all concerned about the effect Donald Trump might have on relations with the U.S.

At a 2016 U.S.-China Retail, Logistics & Investment Summit in New York City Thursday, the notion was that trade will bring more employment opportunities for medium enterprises and help sustain the retail sector's already steady growth.

In the past, China's economy had been centered on exports, earning it the "world's factory" moniker, but now that the middle class there is growing, so is domestic consumption.

"Since last year, service and consumption became the number one growth engine," Jiang Ming, proprietor of China General Chamber of Commerce, said through a translator. "The consumption industry has become one of the main engines of China's economic growth."

This year, Ming said, consumption contributed to roughly 71 percent of China's GDP, compared to 64 percent last year.

China's GDP growth many have slowed to a long-time low of 6.7% this year but the retail sector has maintained more than 10 percent growth in recent years, coming in at 10.7% this year and higher than any of the country's other industries. And the retail sector there is only poised to continue its growth trajectory.

Chain stores have become prevalent in the country as consumers adopt more Western shopping habits, and outlet stores are seeing the greatest growth.

What's more, the online channel is helping fuel the consumption habit. Right now in China, there are more than 700 million online users, Ming said, and more than 400 million are online shoppers and the growth is ongoing.

"We are looking at trends of disruption…the quality of consumption or the style of consumption has changed. People actually pursue high-end products," Ming explained.

"It used to be that people only buy necessities but now they are buying the niche and the high-end goods. This upgrading of the consumption habit is key where retailers have to adjust their business to provide the demands of the customer."

Michael McDonough, global director of economic research and chief economist of Bloomberg L.P. said he expects 6.3% to 6.5% percent GDP growth in China next year.

"For the first time we're actually in a point where growth is starting to accelerate, where we're at a point of full employment," McDonough said. "We do expect that the consumer is going to continue to be the primary driver of growth in 2017."

Source: sourcingjournalonline.com– Dec 14, 2016

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Egyptian exporters might need to wait for that boom in sales

The coming months will be a test to see if last month's sharp devaluation of Egypt's currency will boost demand for its products at home and abroad.

After nearly six years of pegging the pound to the dollar at a rate far above market value, the central bank last month finally let go and let it float.

One dollar now buys more than 18 Egyptian pounds compared with the official price of 8.88 pounds in early November.

Egypt's biggest manufactured exports are garments and textiles. Can we expect a boom in sales now that their price abroad has plummeted?

The industry suffered badly since the central bank began pegging the pound against the dollar after Egypt's uprising in 2011, pricing its products out of the international market.

The problem became more acute as currency controls tightened over the past couple years, with exports of garments plummeting by 14.7 per cent in the year to end of June and those of cotton textiles by 7.2 per cent, according to central bank figures.

This is in sharp contrast to the years after 2003, when the central bank sharply devalued the currency. From 2003 to 2011, textile exports shot up by an average annual 17 per cent and garment exports by 19 per cent, only to begin slackening thereafter.

Textile exports surged from US$120.1 million in 2002-03 to $782.6m in 2012-13 before falling back to $682m in 2015-16. Garment exports similarly rose, from $218.3m in 2002-03 to $810.3m in 2014-15 before dropping back to $690.8m last year.

Already there has been an uptick in orders since the pound was floated on November 3 but it will take time before any exports surge might occur, says Mohamed Kassem, the chairman of the Readymade Garments Export Council of Egypt. The devaluation, which has made imported products more expensive, should increase local demand for garments and textiles as well.

"We will see two waves of textile and garment production growth: first with the use of idle capacity, then with new investment."

The fact the pound's price has fallen by more than half means Egypt is back on the radar with foreign textile buyers, he says. But because many components and materials are imported, the price of Egyptian textiles will not fall by half.

Domestic inflation should also be factored in. Imports account for 30 to 60 per cent of the inputs of domestically produced garments. Spinners using Egyptian cotton, however, can expect an especially big benefit from the -flotation.

"We have seen an uptick in orders but it will take three to four months before exports actually start to increase," he says. "It is premature to call it a surge in orders. Producers are concentrating on reversing the decline."

Many buyers came to a textile exhibition and conference in Cairo on November 11 and 12, held fortuitously just one week after the flotation. Since then, Egyptian exporters have been travelling abroad trying to make sales before Christmas.

Egypt will struggle to regain markets after a slowdown in the international economy. Growth in China has weakened, Europe is not in good shape and the recovery in America has not gathered pace.

"A realistic estimate is that exports will be 10 per cent higher in 2017 than in 2016," Mr Kassem says.

The second part of the equation, an increase in foreign investment in Egypt’s cotton industry, is not likely until late next year, he says.

Mr Kassem has been a driving force behind a plan to build a new city dedicated to textiles manufacturing near Minya, 200 kilometres south of Cairo. The government has allocated 1.3 million square metres for the project, which will be a joint venture with the China National Textile and Apparel Council.

A memorandum of understanding with China was signed early this year and a delegation of Egyptian garment and textile makers will visit China in March for a roadshow. "Hopefully we will see results by the third quarter of 2017," Mr Kassem says.

The Minya project will be a pilot scheme for up to 10 similar textile cities the government hopes to encourage, mainly in Upper Egypt. It is to be a completely private investment, Chinese and Egyptian.

The city would be a hub with a focus on spinning and weaving as well as on dyeing and finishing to supply yarns and fabric to garment makers across Africa.

The advantage of Minya is that it is close to the Red Sea for exports to Sub-Saharan Africa and to the Mediterranean for exports to North Africa and Europe. The project would take two to three years before new production capacity can come on stream.

Although Mr Kassem would like to see more efficiency in government, such as in customs, licensing and taxation, he says the situation has greatly improved after the pound was allowed to weaken. "I am a lot more optimistic."

Patrick Werr has worked as a financial writer in Egypt for 26 years

Source: thenational.ae– Dec 14, 2016

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US industrial production fell 0.4 percent in November

U.S. industrial production dropped sharply in November, mainly because power plants reduced output due to unusually warm weather.

The Federal Reserve reported Wednesday that output at America's factories, mines and utilities fell 0.4 percent last month. It was another sign that American industry is struggling even as the overall U.S. economy looks healthy. The Federal Reserve is confident enough to be considering an interest rate hike later in the day.

Utility output plunged 4.4 percent, following a 2.8 percent downturn in October. A warm fall meant Americans used less heat.

Factory output slipped 0.1 percent. A drop in auto production, which is volatile month to month, offset increased output elsewhere.

Mining production rose 1.1 percent despite a steep drop in output at coal mines.

"Beyond the disappointing headline, the general improving trend in mining and manufacturing should justify this afternoon's broadly expected Fed move," Jennifer Lee, senior economist at BMO Capital Markets, said in a research note.

Still, industrial production has now dropped three of the last four months and has fallen 0.6 percent in the past year. November's drop was steeper than economists had expected.

American industry has been hurt by a strong dollar, which makes U.S. goods costlier in foreign markets. Factory production is up just 0.1 percent over the past year.

Energy companies have slashed production in the face of low oil prices. That is why mining output is down 4.6 percent since November 2015 despite the uptick last month.

Mines have shed 87,000 jobs over the past year, and factories have lost 54,000.

Source: newsobserver.com– Dec 14, 2016

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Africa: Cotton: The Story Behind the Garment Industry

You can learn a lot about how our global capitalist economy came into being by tracking the production of one of our most basic commodities: cotton.

By connecting growers, workers, traders, factory owners, and consumers in a supply and distribution network that reaches across the world, cotton has played an integral role in forging the efficient and ruthless structures of today's globalized economy.

Today, the pattern is well-known: Large corporations source their textiles from the cheapest factories possible. Factories in turn buy the cheapest cotton they can find. States compete with one another to prevent corporations from decamping to cheaper countries.

Most of the countries that rely on cotton and garment export commodities exhibit low indicators of socioeconomic development.

West Africa's Burkina Faso, a major exporter of cotton, for example, ranks 183 out of 188 countries on the United Nations' Human Development Index, which measures average life expectancy, education, and income.

Bangladesh, one of the world's top garment exporters, ranks 142nd.

The rock bottom wages and lack of worker protections in these countries allow for the production of strikingly cheap clothes.

These are the faces and the stories of the people who make the shirts, jeans, and countless other items you use every day.

The transparency of the overall process is crucial. In this project, Meta Krese and Jošt Franko look at the whole process, from farming communities in Burkina Faso that depend on the cotton crop, to textile workers in Bangladesh, whose income solely depends on the garment industry, and those in Slovenia and England who were dependent on the textile industry before apparel from Asia took over the global market.

Source: pulitzercenter.org – Dec 14, 2016

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Pakistan: Cotton market witnessed modest trading activity

Cotton market on Tuesday witnessed modest trading activity, dealers said. The official spot rates unchanged at Rs 6250.

According to the market sources, arrival of quality lint was slow, which caused sluggish demand by leading mills and spinners.

As per dealers, the seed cotton prices in Sindh were at Rs 2600-3200 and in Punjab rates were at Rs 2800-3400, per 40 Kgs.

Cotton analyst, Naseem Usman said that the cotton yarn market continues to be sluggish, it looks that present trend may maintain for the near future..
The following deals were reported to have changed hands as per dealers:

600 bales from Sanghar sold at Rs 5575-5700, 3000 bales from Khairpur at Rs 6250-6350, 2000 bales from Salehpat at 6300-6350, 2000 bales from Rohri at Rs 6300-6450, 400 bales from Dharanwala at Rs 6350, 600 bales from Jalalkpur at Rs 6450 and 2000 bales from Sadiqabad at Rs 6500.

In the ready session, over 10,000 bales of cotton changed hands between Rs 5575-6500.

Source: yarnsandfibers.com– Dec 14, 2016

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Pakistan: Punjab plans to buy more GM cotton seed varieties

Despite perceived failure of genetically modified (GM) cotton seed experience in Pakistan and official reports confirming the presence of advanced varieties of bacillus thuringiensis (Bt) cotton seed in use, the Punjab government is reportedly planning to acquire two more advanced varieties from a multinational GM technology provider.

The agriculture department held a meeting this week to discuss an update on the negotiations with the GM technology provider and muster support of stakeholders in favour of imported varieties of Bt gene.

The meeting — attended by officials, researchers, academia, growers, textile producers and seed companies — was a follow-up of a previous meeting held last month to discuss acquisition of advance gene technologies and related issues.

Sources said the agriculture department was planning to buy Bollgard II and Roundup Ready Flex (RRF) genes from Monsanto under the Kissan Package 2016-17, apparently for better seed quality resisting pests and weed controls amid serious reservations by agriculture scientists and cotton growers.

They said both genes were already in use in cotton seed as they were tested positive in the government laboratory reports conducted by the Agriculture Biotechnology Research Institute (ABRI), Faisalabad, in 2012.

The ABRI confirmed the presence of both traits when some seed companies and government research institutes sent their Bt cotton seed samples for the National Coordinated Varietal Trials (NCVT) nationwide, sources said quoting a report.

According to a government report issued in March 2014 and published in the International Cotton Advisory Committee (ICAC) of the United States, Pakistan has adopted transgenic cotton (Bollguard II) over the area of about 86pc.

As per minutes of the first meeting available with Dawn, Punjab Agricultural Research Board (PARB) CEO Noorul Islam gave an overview of the negotiations agreement with Monsanto to harness its cotton GM technology (bollworm and weed control) and efforts of the Punjab government to transform local seed industry into a vibrant one.

It was decided an agreement with Monsanto would be made to get the required cotton gene technology on a long-term basis and acquire bollguard II–RRF gene technology, advance gene technology such as bollguard III and IV and lygus control gene technology for sucking pests. The agreement, if signed, will also include long-term partnership to transform local seed industry with reform project to strengthening six private seed companies and the Punjab Seed Corporation.

The chair was of the view that Monsanto's double gene and weed control technology has been extensively tested for biosafety in other parts of the world. Therefore, it should be given exempt status by the Ministry of Climate Change. Monsanto should share the biosafety data used in other countries for biosafety clearance and file the case with the ministry.

"We must provide advance lines which have good combination of heat, cotton leaf curl virus (CLCV) and drought tolerance along with good fibre traits," the minutes quoted the scientists as having agreed.

Punjab Agriculture Department's Director General Research Dr Abid Mehmood, who was one of the participants of the meeting, said nothing is final to get latest gene technology as stakeholders of the meeting only deliberated upon whether imported GM technology should be welcomed or indigenous varieties should be introduced for improving cotton production.

Source: dawn.com – Dec 15, 2016

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Bangladesh govt promotes social dialogue in RMG sector

The Bangladesh government has launched a new project titled 'Promoting Social Dialogue and Harmonious Industrial Relations' to improve workplace relations in the readymade garment (RMG) sector.

The programme will enhance dialogue between the government, employers and workers and will also help in preventing and solving disputes and increase productivity.

The project is funded by Sweden and Denmark governments and implemented by the International Labour Organization (ILO) in collaboration with the Government of Bangladesh, employers, and trade unions. The initiative to strengthen conciliation and arbitration mechanisms will continue till March 2021.

"With its focus on strengthening social dialogue and constructive dispute resolution, this project provides a defining opportunity for Bangladesh to achieve its social and economic transformation goals, through partnership and inclusion," said ILO director-general Guy Ryder at the launch.

A key focus of the project will be on enhancing the grievance handling capacity, procedures and mechanisms of the department of labour (DoL), Bangladesh. This will include specialised training for 15-20 DoL officials to create a national pool of conciliators.

An independent pool of arbitrators will also be established. In addition, Workers' Resource Centres will be established to support capacity building for unions and to help them deal with dispute situations.

"Bangladesh government is fully committed to fostering better workplace relations. This important project, through its core focus on improving industrial relations through social dialogue, will benefit every industry across Bangladesh," said Md Mujibul Haque, minister of labour and employment.

The project will be initially piloted in the RMG sector, with gradual scaling up within the sector. However, the impact of the project and particularly that of the dispute resolution mechanism will cover all other sectors.

Through the project, improved dialogue will be fostered between trade unions and employers in at least 150 unionised enterprises. This will be achieved by developing social dialogue skills and expertise of both managers and union representatives.

Workplace cooperation mechanisms and capacity of unions and employers will also be boosted in 350 non-unionised factories, while practical grievance handling procedures will be developed in each of the 500 participating factories.

Source: fibre2fashion.com – Dec 14, 2016

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NATIONAL NEWS

India to Have Highest Wage Hike in Asia in 2017

Wages will inch up in Asia in 2017 and India will be leading the way.

Consumer goods are expected to see a 2.8% increase in salaries next year, according to a new report by global consulting firm Mercer titled, "Compensation Planning for 2017."

Of the major textile souring countries, India will have the highest wage increase next year, with pay rising roughly 10.8%, the Indian Express reported.

Vietnam will likely follow as a close second with salaries increasing close to 9.2%.

"Changing business models and restructuring in the financial services has meant that the sector may not be hiring at rates seen in the last three years, but we continue to see highest level of pay increases as retaining high-performing talent has become even more critical," Mercer partner and growth markets talent leader Puneet Swani said, according to the Express.

"We also find companies deleveraging pay in the wake of increased regulatory scrutiny of bonus payouts, thereby reducing year-end bonuses and significantly increasing base pay instead to reduce excessive risk-taking and discretion."

Competition from emerging markets, talent scarcity, automation and machine learning and disruptive technology were just some of the trends Mercer said impacted labor in 2016, paving the way for the coming hikes.

In looking at Africa, where more companies could start sourcing or at least going on exploratory trips to the region in the coming year, Mercer said wages in Ethiopia will jump 10.9%, Egypt 10 percent, Kenya 7.5% and Mauritius 5 percent.

Mercer looked at more than 5,000 from 400 companies and 83 markets for the report.

"Hiring, retaining and engaging skilled talent will continue to be a top priority, especially for consumption-driven industries such as life sciences and consumer goods," Swani said.

Source: sourcingjournalonline.com - Dec 14, 2016

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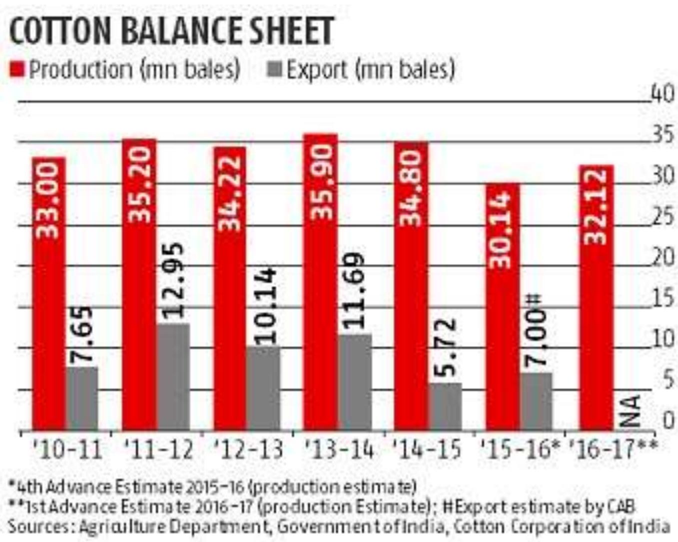
Note ban takes away Pakistan cotton export relief cushion



While Pakistan recently lifted the ban on cotton imports from India, Indian exporters are unable to capitalise on the move. Last year, of the initial three million bales (one bale is 170 kg) of export orders during the October-December period, 1.5 million bales were to Pakistan. With daily arrivals still under pressure, exporters are unable to take orders.

Pakistan had banned import from India in the fourth week of November, citing quality issues. The ban was lifted a few days ago as industry urged the Pakistan government to do so.

According to the Indian cotton industry, Pakistan might import 700,000-800,000 bales in 2016-17. Last year, India had exported 2.5 million bales to Pakistan, which had faced a crop failure.

After demonetisation, several mandis are not fully operational as arrivals have dwindled. Cotton arrivals are down 25-30 per cent from last year, despite a slight improvement in early December.

Last December, daily arrivals had stood at 200,000 bales; this year, it is 140,000-150,000 bales a day. This month, arrivals increased by about 30,000 bales after farmers began accepting payments through cheque.

"While India is the best choice for Pakistan for cotton imports, Indian exporters are unable to profit from it.

Demand is there from Pakistan and other countries but Indian exporters are not in a position to fulfil the demand. More, as supply is tight, exporters are not in a condition to fulfil their commitments they made for November and December.

Exporters are not booking new contracts, as they are not sure about supply," said Shirish Shah of Bhaidas Karsandas Company from Mumbai.

After the note ban, cotton prices had gone up to Rs 40,000 per candy of 355 kg, now ruling at Rs 38,800-39,200 per candy.

This year, India had booked export contracts of 2.2 million bales for October, November and December delivery but, the country had exported about 500,000 bales only by the end of November.

According to exporters, in this scenario, India's total exports might decline by 20-25 per cent at the end of the year. Chirag Pan, CEO of Jaydeep Cotton Fibres, said, "India exports 70 per cent of cotton during October and March every year.

The industry expects six million bales of cotton exports in the current cotton year (October-September) but in this scenario, exports might not be over 4.5 million bales."

More, despite some amount of export demand, cotton ginners are unable to process much as they are not getting raw cotton from farmers.

Subodh Goenka of J S Cotton Industry from Akola, Maharashtra, said: "Generally at this time, ginning activity should be on in full swing but due to supply shortage and higher prices, ginning activity has been quite low."

Raw cotton has been trading at Rs 990-1,060 per 20 kg in Gujarat, with prices going up by Rs 20 per 20 kg in December so far.

Source: business-standard.com - Dec 15, 2016

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Welspun India forays into flooring solutions with Rs 600-cr carpet plant

Leading home textiles company Welspun India Ltd. on Wednesday announced its foray into flooring solutions with the foundation stone laying of its Rs 600 crore facility in Anjar, Gujarat to manufacture carpets, area rugs and carpet tiles.

To be commissioned in next 12 months, the new plant is expected to generate a revenue of around Rs 1,000 crore for Welspun India, said B K Goenka, chairman, Welspun Group.

"With this plant, our focus towards home textiles will be strengthened. This will create large import substitutes. This plant will add another Rs 1,000 crore to the current Rs 6,000 crore of revenue. In next 2-3 years, we are expecting a growth of 10-15 per cent," said Goenka.

The carpet facility will have an annual capacity of approximately 7 million square meters, with most of the capex to be done over next 18 months. Welspun India looks to create direct and indirect jobs of over 7000 through the new facility in the Kutch region.

"Flooring solutions has immense potential as a growing business. We believe that this segment will benefit from the synergies with our existing product line and customer base thereby creating strong growth opportunity for the domestic as well as international market.

The investment represents our ongoing pursuit of expansion and is a testimony of our strength as one of the leading manufacturers globally," said Goenka.

Meanwhile, talking about the group's recent fiasco with Target, Goenka said that it had lost only one customer, with the rest of the business going on "as usual". "We are making supply chain more robust. We are making our supply chain more transparent and system oriented. For this, we are setting up a new internal committee," said Goenka.

Source: business-standard.com - Dec 14, 2016

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India's WPI inflation eases to 3.15% in November 2016

India's annual rate of inflation, based on monthly wholesale price index (WPI), dropped to a five-month low of 3.15 per cent for November 2016 over corresponding month of the previous year. Build up inflation rate in the financial year 2016-17 so far stood at 4.45 per cent compared to a build up rate of 0.80 per cent in the same period of the 2015-16.

Annual rate of inflation was 3.39 per cent for October 2016 and minus 2.04 per cent in November 2015.

Meanwhile, the official WPI for all commodities (Base: 2004-05 = 100) for the month of November, 2016 rose by 0.1 per cent to 183.1 from 182.9 for the previous month, according to the provisional data released by the Office of the Economic Adviser, ministry of commerce and industry.

The index for manufactured products (weight 64.97 per cent) for November, 2016 rose by 0.3 per cent to 157.9 from 157.4 for the previous month. The index for textiles sub-group also rose by 0.1 per cent to 141.8 from 141.7 for the previous month due to higher price of tyre cord fabric (5 per cent), gunny and hessian cloth (2 per cent) and cotton fabric (1 per cent). However, the price of jute sacking cloth (4 per cent), jute yarn (2 per cent) and jute sacking bag (1 per cent) declined.

The index for primary articles (weight 20.12 per cent) declined by 0.9 per cent to 259.4 from 261.8 for the previous month. On the other hand, the index for fuel and power (weight 14.91 per cent) rose by 1.8 per cent to 190.7 from 187.3 for the previous month due to higher prices of aviation turbine fuel, bitumen, furnace oil, high speed diesel, kerosene, LPG and petrol.

Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 3.63 (provisional) in November, 2016 compared to 4.20 (final) in October, 2016 and 5.41 in November, 2015, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com - Dec 14, 2016

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Finance Ministry report card on GST implementation: All is well

Presenting a report card on the implementation of Goods and Services Tax (GST), the Ministry of Finance on Wednesday said the Government of India lost no time in implementing the GST so far and agenda items pertaining to 'GST related draft laws' and 'Provisions for cross empowerment to ensure single interface under GST' are under consideration of the GST Council at present.

Ninety-nine Sections the Model GST Law have already been considered by the Council and remaining Sections will be discussed in the next meeting of the Council scheduled for 22-23 December, 2016, said a statement issued by the Union Finance Ministry here.

As compared to the time taken in arriving at a consensus on the Constitutional Amendment Bill for GST, the subsequent events after the passing of the Bill indicate that the Government and the states have done remarkably well in taking all necessary steps for implementation of GST.

It further said as soon as President Pranab Mukherjee's assent was received on the Constitutional Amendment Act for GST on September 8, the GST Council was created by the Cabinet within a period of one week, along with the Secretariat. Under Article 279A of the Constitution, the GST Council has been entrusted with the power to make recommendations to the Union and the States on various GST-related issues, including those relating to goods and services that may be subject of, or exempted from the goods and services tax; the threshold limit of turnover below which goods and services may be exempted from GST and the rates including floor rates with bands of GST.

The ministry said since notification of the GST Council on September 12, six meetings of the Council have been held on 22-23 September; 30 September; 18-19 October; 3-4 November; 2-3 December and 11 December. During these meetings, a number of important decisions have been taken paving way for the rolling out of GST with effect from April 1. Some of the important decisions taken in the last six meetings included the threshold limit for exemption from levy of GST would be Rs.20 lakhs for normal States (Rs.10 lakhs for the Special Category States enumerated in Article 279A of the Constitution).

The threshold for availing the composition scheme would be Rs.50 lakhs, while service providers would be kept out of the composition scheme. To compensate states for five years for the loss of revenue due to implementation of GST, the base year for the revenue of the state would be 2015-16 and a fixed growth rate of 14 percent will be applied to it.

Approval of the Draft GST rules on registration, payment, return, refund and invoice, debit and credit notes with the understanding that minor changes may be permitted with the approval of the Chairperson, if required, due to suggestions from the stakeholders or from the Law Department.

All entities exempted from payment of indirect tax under any existing tax incentive scheme would pay tax in the GST regime and the decision to continue with any incentive scheme shall be with the concerned state or the Central Government. In case any state government or the Central Government decides to continue any existing exemption/incentive scheme, it will be administered by way of a reimbursement mechanism. Bands of rates of goods under GST shall be 5, 12, 18 and 28 percent and in addition there would be a category of exempt goods.

Further, a cess would be levied on certain goods such as luxury cars, aerated drinks, pan masala and tobacco products, over and above the rate of 28 percent for payment of compensation to the States. The Council in its first meeting decided that GST would be rolled-out by April 1, 2017.

Accordingly, various timelines had been decided for various aspects of implementation of GST such as recommendation of the Model GST Laws by the GST Council and its passage by the Union Parliament and State Legislatures; the development of front-end Information Technology (IT) modules on the common GST portal and the back-end IT systems; testing and integration of GST front-end and back-end IT systems of all stakeholders; training of both Central and State tax officials; sensitization of the trade, industry and consumers, said the statement.

All efforts are being made to meet the necessary deadlines to ensure that GST is rolled out by 1 April 2017. The discussions in GST Council have been very cordial and all decisions till now have been taken by consensus, it said, adding that members of the Council are participating in the meetings with a very positive attitude and are working towards the roll-out of GST as per the deadline.

Source: sify.com- Dec 14 2016

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India's knitwear capital is in tatters, courtesy demonetisation

The hum of hundreds of sewing machines at work nearly drowns the quiet laughter of the group of women, sorting through the striped orange-and-white jumpers piled high on their table. More garments in the same pattern are being knitted on the machines beyond, and the air is thick with cotton dust and the overwhelming odour of freshly dyed yarn whirling off bobbins mounted on the sewing machines.

We are at the Warsaw International Factory at Tirupur in Tamil Nadu, one of the numerous such garment units that dot the town often referred to as the knitwear capital of India.

Named apparently after the Eastern European military pact that was disbanded around the same time the factory was opened in the early 1990s, it was founded by Raja M. Shanmugam, a first-generation entrepreneur.

December is usually a frenetic time at Tirupur with orders pouring in from all over the world, but Shanmugam—like most of the other factory owners Mint spoke to—is worried.

"The government's move to demonetize Rs500 and Rs1,000 notes has obviously impacted every single individual in the country," says Shanmugam, "but Tirupur got really badly affected because it is largely a cash-based economy. Workers here have always been paid only in cash."

While he appreciates the rationale behind the move—"We all want to see a clean India"—Shanmugam admits that the first month after demonetisation was a nightmare. "The sudden imposition of the new rule caused chaos," he says.

Shanmugam, who is also the president of the Tirupur Exporters' Association (TEA), says that he even contacted the Union finance ministry to get a reprieve with respect to the cap on the amount that an individual can withdraw from his bank account.

I requested that they allow us to withdraw an amount equivalent to the average of the previous six months for individual concerns," he says. "It was turned down."

The textile industry is labour-intensive: the Tirupur cluster that has an annual business of Rs40,000 crore directly employs over 5 lakh people, according to a 25 November report in Mint. It doesn't help that labour is already in short supply.

"There is a constant demand for workers here," says M.P. Muthurathinam, president of the Tirupur Exporters and Manufacturers Association, adding that if workers are not paid their wages on time, they simply do not return to work the next week. In short, the cash shortage has disturbed the market equilibrium.

At another small exports unit, S. Natraj, a small man with a large moustache, is peering into the monitor of an ancient desktop. The frazzled accounts manager explains his obvious distress.

"I have to go to the bank again now," Natraj says . "I stand there the whole day to withdraw money, but by the time my turn comes, the bank is usually out of cash."

According to Natraj, the unit needs at least Rs5,000 every day to pay for what are called tea expenses—a daily advance of Rs200 per worker—in addition to the couple of lakhs that go every week towards wages.

"Productivity is getting affected," Natraj says. "Workers are taking leave and queuing up in front of banks all day, even forfeiting their wages for that day. They have to take care of their families, after all."

Mohammed Mustafa, who owns the export unit, adds, "If I say anything to them, they will simply go to another factory." Most employees here are contract employees who have to be paid every Saturday. If workers don't turn up and the order is delayed, Mustafa says he will incur extra expenditure as he will be forced to send the products by air rather than by container ships as usual.

He has stopped taking fresh orders as he is struggling to finish pending ones.

Tirupur's tragedy has left some collateral damage as well—at the markets peddling what is popularly called export-reject surplus. These are branded clothes made for exports, but do not make the international cut. They can be purchased by the value- and fashion-conscious for as low as Rs100 a T-shirt. The Khaderpettai market in Tirupur boasts of a long line of stores of this sort, most of them currently populated only by sad-looking salesmen and shop owners: the little liquid cash available must be reserved for essentials, not squandered on clothes, after all.

Suresh, who owns one such store here, admits as much. "This is a cash-and-carry business; as there is no money floating in the system, people cannot purchase anything from here," he says.

He hopes that this will stabilize in a few months, "but it is really difficult for us. Our sales have fallen by nearly 70%", he says.

Fortunately, regular business-to-business transactions haven't been impacted too much. The export industry that was worth over Rs20,000 crore, according to a 2015 TEA report, is mostly cashless, says A. Sakthivel, chairman of the Federation of Indian Export Organizations.

But the cash crunch has indeed caused a lot of problems, he says. "We were in great difficulty for the first 15 days because we stopped getting money from the bank. We could withdraw only Rs20,000 a week whereas we need Rs15-20 lakh per week to pay the wages," he says.

Like others, he hopes this will prove to be a temporary phase. "Banks have been very cooperative," he says, adding that officials came down to factories, opened accounts for all workers and issued ATM cards. "Now, we hope to put up ATM machines in large factory premises so that people don't have to travel long distances or wait in queues to draw money."

Sujatha, who has worked at Warsaw International for almost 15 years, agrees it has been difficult to balance both work and ATM visits. "There are such long queues at the ATM, and even if we do manage to get money, it is usually in Rs2,000 notes. You cannot buy milk and vegetables with that. Even the landlord wants to be paid only in cash," she says.

Noora Hasan, a migrant from Varanasi, has a bigger problem, "My wife calls me every day asking me to send money home. But how do I send anything if there is no money available?" laments Hasan, who has seven children. "This is very difficult."

Source: livemint.com– Dec 15, 2016

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Bad times loom

Malegaon's weaving industry — largely small-scale and cash-based — is reeling from the side-effects of demonetisation

Yusuf Ansari, 63, is one of thousands of weavers in Malegaon. He used to work for one of the bigger businesses until he saved enough to set up his own unit three years ago. It's nothing fancy: eight power looms, two rows of four, in a shed which he and his family of five also use as their home (they sleep in an upper loft).

Mr. Ansari does what is known as 'job work': he is subcontracted by a master weaver who gives him cone-shaped spools of yarn which he draws through his looms to create bales of cloth. The business gives the whole family work: each member takes it in shifts to operate the machines. Inside the shed, the rhythmic click-clack of looms working together creates an almost deafening sound. When business is good, the looms sometimes run all night. The family has learned to sleep through the racket.

But on the evening of November 30, when *The Hindu* visited him, Mr. Ansari says he will be turning the looms off in an hour or two. And, he says, he probably would not be turning them on the next day; for the last three weeks he has only been running them three days a week. There is only a small bundle of cones left for him to weave, and the master weaver is unwilling to give him more, both because he is unable to procure a good supply of yarn from the yarn trader and because he is unable to pay contractors like Mr. Ansari their wages.

Mr. Ansari, like most of the weavers that are the backbone of Malegaon's economy, has been facing a supply problem. Since the demonetisation announcement, Malegaon has been a town staring disaster in the face.

Maharashtra is home to major power loom centres like Sholapur, Bhiwandi and Ichalkaranji. Malegaon is probably the smallest of these, with over 200,000 power looms. Most of its weavers fall within the informal sector. The town largely follows a system of weekly salary payments in cash; mill owners usually pay the workers who operate the looms on Thursday or Friday (most of them are Muslim). Cash liquidity, therefore, is everything.

The crowds outside each bank, big or small, are easily twice the size you are likely to encounter in Mumbai. And arguably, it's about half as likely that a given bank branch has any legal currency to dole out. Outside the Bank of Baroda's main branch, a sign in Marathi comes out at mid-day, proclaiming that the bank has no more cash to give. A little further away, the doors of the Janata Cooperative Bank, where many of the weavers have accounts, are shut.

In a usually bustling town, it is quiet. Where a month ago you would have heard only the steady clatter and drone of the looms, now there is worried conversation. Some estimate that over 50 per cent of the looms have closed in the last three weeks.

"We are supposed to be able to withdraw Rs. 50,000 per week in cash if we have current accounts but at the Janata Bank now we are only able to get Rs. 4,000," says Mujahid Sultan, a loom owner who employs about 300 people. "I have money but I'm unable to withdraw it. For the past two weeks I haven't been able to pay my employees, some of my units are lying closed and some are only running for three days a week." If the withdrawal cap is not relaxed in the next two weeks, he says, he will have no choice but to close down the rest of his units.

As Mr. Sultan and others explain, demonetisation has affected the entire cycle of production and supply. In Malegaon, over 90 per cent of the looms make 'grey cloth,' an unfinished fabric. Muhib Ansari, another weaver, says, "The majority of informal work in weaving happens here." The fabric goes from Malegaon to dyeing and finishing centres — notably Balotra in Rajasthan and Ahmedabad and Surat in Gujarat — before it finds its way to customers in various parts of the country.

This is not the finer cotton that one gets from the south or part of western India but a coarser variety that services a massive, but often unseen, clothing industry. “It goes into making a nightdress that a woman might purchase on the street in Mumbai for Rs. 90 or Rs. 100, or a cotton petticoat that they might buy for Rs. 60 or Rs. 70,” Mr Sultan explains.

For millions of women all across India, these garments make the wearing of synthetic saris — which many use because of their longevity — less harsh on the skin. It is also used to make cheap shirts and furnishing material like curtains and cushion covers that you might find in small shops in thousands of small towns. Almost all of this buy-sell chain is informal, and operates on cash. And is therefore made up of exactly the people most affected by the shortage of currency notes.

The weavers of Malegaon understand this. As Mr. Muhib Ansari says, “At a time when people are struggling to buy food and other essential supplies, spending cash on clothing will obviously be the second priority.” He says that a few months of people not buying the finished product could mean, for places like Malegaon which are early in the product cycle, several additional months for things to go back to normal.

After demonetisation was announced, a power loom owner says, massive amounts of old currency poured into Malegaon from the bigger centres, since they could be used as wage payments. “Workers were told to exchange the money in banks but it very quickly became clear that the banks ran out of 100 rupee notes to give.”

Several big weavers told *The Hindu* that while they are currently making smaller payments to workers to delay closure of their units, it is not sustainable. “If the workers are just left idle and without pay for several weeks then there will just be social unrest,” one says gravely.

In various offices around the town, loom owners check, with some bemusement, the Twitter account of the Ministry of Textiles to see if any help might come their way. Periodic announcements are made through this channel about cash payments being made easier for handloom clusters in Erode, Tirupur and Varanasi, but there is no mention of the power loom industry. One power loom owner sums it up with some resignation: “We fall between the big modern looms and the smaller handlooms which are considered more artisanal, so the Ministry chooses to focus on them.”

The government may have advertised the demonetisation move as an inconvenience that citizens would have to bear for a short time, with good times to follow soon. But for Malegaon, like so many other towns whose economies are cash-based, there is genuine fear — and an increasingly probability — of a much longer depression.

Source: financialexpress.com– Dec 14, 2016

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RCEP: Impasse at Indonesia talks may put more pressure on India

India has some more time to decide on the final offers on reducing import tariffs for the 15 partner countries of the regional comprehensive economic partnership (RCEP) — which includes China and the 10-member ASEAN — as the recent negotiating round in Indonesia failed to deliver a consensus on the broad numbers.

The next round of negotiations scheduled in Kobe, Japan, in February 2017, however could bring in more pressure on India to increase its level of ambition on overall tariff liberalisation as Australia and New Zealand have already raised the pitch for greater market access.

"Last week's negotiating round in Indonesia failed to deliver results in terms of broad numbers for tariff reduction in goods as Australia and New Zealand were not satisfied with the numbers being discussed. Since the two countries have near zero tariffs on most goods, they would want all RCEP members to eliminate tariffs on as many goods as possible," a government official told *BusinessLine*. The other members of the RCEP are Japan and South Korea.

India, on the other hand, does not want to offer very high levels of liberalisation to China, Australia and New Zealand — the countries with which it does not have free trade agreements.

"There is a general agreement between all members that there would be one offer for all, but of course there has to be deviations as it is not possible to offer the same levels of openness to all countries for all products.
What we can offer to our existing FTA partners such as the ASEAN or Japan, cannot be the same as what we offer to China, Australia and New

Zealand," the official said. The deviations can be worked out only when there is an agreement on the overall level of tariff cuts for all members which would serve as the base.

India's offer

New Delhi had initially offered to eliminate tariffs on 80 per cent of items for ASEAN, 62.5 per cent of items for Japan and South Korea and 42.5 per cent of items for China, Australia and New Zealand, but the offers will be re-worked now with an attempt to move towards a common base.

"If we had progress in the talks in Indonesia, members could have worked on final offers in February in Japan, which could have been then followed by a Ministerial meet in March as was being originally planned.

But now members would try to achieve in Japan what they failed to achieve in Indonesia and the Ministerial meet seems likely only in August," the official added. There was also not much movement in the area of services with members not improving substantially upon their earlier offers.

Despite New Delhi's attempts to get countries to make meaningful offers to liberalise movement of workers, most members did not respond positively.

Source: thehindubusinessline.com– Dec 15, 2016

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Monsanto to no longer develop cotton seeds in State

The Maharashtra government on Wednesday announced that it would not allow multinational seed giant Monsanto to develop cotton seed varieties in the State henceforth. Instead, four agricultural universities and the Central Institute for Cotton Research (CICR) will do the work.

State Agriculture Minister Pandurang Fundkar, while replying to a calling attention motion raised by Nationalist Congress Party (NCP) MLA Amarsinh Pandit, said the decision was taken after it was revealed that enlisting the company's assistance had been financially disastrous for farmers.

According to the data presented by Mr. Fundkar, Maharashtra has over 38 lakh hectare of land under cotton, 98 per cent of which has been under Bt Cotton since 2002. As per the Maharashtra Cotton Seeds Act, 2009, the State government periodically controls seed prices. On June 8, 2015, a notification was issued where packets of BgI type were priced at Rs. 730 and BgII at Rs. 830.

Mr. Pandit alleged that despite spending money on these seeds, there have been several instances of cotton crop being affected by diseases, with the Delta Indo Toxin in the seeds failing to prevent them.

“At a time when drought has already had a terrible impact on farmers, such seeds with serious faults are making conditions worse for farmers.

While these private companies are minting money, the research sections in government universities are doing nothing,” he said.

Replying to Mr. Pandit, the minister said the seeds developed by the government institutes would be made available from 2018, and no private company would be allowed to develop seeds. Farmers will have to pay only Rs. 350 per Bt seed packet.

“The Maharashtra State Seeds Corporation Limited and agriculture universities have signed a pact for improved varieties of cotton seeds. CICR is at present experimenting on including BgI in 21 other types of seeds, while Panjabrao Deshmukh Agriculture University is developing a special seed for rainfed farming,” Mr. Fundkar said.

Source: thehindu.com– Dec 15, 2016

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Exports may hit slowdown, says Rita Teaotia

The country's exports will likely face a temporary "slowdown" due to the cash crunch following the announcement of demonetisation on November 8, according to commerce secretary Rita Teaotia.

Already, merchandise exports witnessed a rise in only three of the past 23 months through October. Small and medium enterprises, who deal mostly in cash, have been particularly worried after demonetisation.

"It is a fact that perhaps the demonetisation process, as has been pointed out, may cause a momentary setback (to) or momentary slowdown (in exports)," Teaotia said.

The merchandise exports data for November are scheduled to be released on Thursday, which would bring further clarity on the extent of slowdown.

However, demonetisation should be viewed as an opportunity for capitalising "on the benefits that we can get from a far more transparent, far more open and let me say far less messy cash-based transactions," she said. In the long run, the gains to the country from demonetisation — combined with the rollout of the goods and services tax — will be substantial.

Separately, Teaotia told PTI that the commerce ministry has initiated a broader consultative process with all export promotion councils to gauge the level of adaptation to demonetisation. Commerce and industry minister Nirmala Sitharaman has already held meetings with exporters following demonetisation and assured them that she would take up their demand of raising the cash withdrawal limit with the finance ministry to minimise the impact on production chain.

In one of the meetings, exporters had sought up to a ten-fold hike in the cash withdrawal limit from the current R50,000 a week to be able to conduct certain necessary business transactions. At an awards ceremony, organised by the Engineering Export Promotion Council, said the engineering sector is "leading the reversal of the decline of exports over the last two years and has allowed us in October to register a growth of 9.6% in overall exports from India".

EEPC India chairman T S Bhasin said notwithstanding the short-term difficulties, the digitisation would lower transaction costs for exporters in the long run. From the exporters' point of view, Bhasin added, revising upward the investment limit of plant and machinery in the micro and small enterprises would be as big a step as demonetisation.

Source: financialexpress.com– Dec 15, 2016

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Cabinet clears Major Port Authorities Act, 2016, may spur private investments

In a move that could spur private investments in port projects, the Cabinet on Wednesday approved the Major Port Authorities Act, 2016, which seeks to infuse professionalism in and increase the autonomy of the 12 port boards and, more importantly, allow future public-private partnership operators to fix tariffs based on market conditions and only notify the port authority.

Besides, when the proposed law takes effect, the port authorities will get the power to lease land for port-related use for up to 40 years and for non-port related use up to 20 years; the Centre's approval will be needed only for longer leases. Port boards would not need government approval for raising loans, appointment of consultants, execution of contracts and creation of service posts.

Analysts said the proposal to divest the bungling Tariff Authority for Major Ports (TAMP) of the power to regulate tariffs is a big positive. "Port authority has now been given powers to fix tariff which will act as a reference tariff for purposes of bidding for PPP projects. PPP operators will be free to fix tariff based on market conditions. The board of the port authority has been delegated the power to fix the scale of rates for other port services and assets including land," the government said in a statement.

Currently, the port trusts award PPP projects on the basis of competitive bidding and the procedures are as follows: TAMP fixes the tariffs (the upper limit) for the relevant port services in consultation with the potential bidders and then the bidding takes place, with the revenue share as the variable. The bidder who pledges to share the highest proportion of revenue with the port authority wins the project.

Investors, anxious to bag the projects, bid aggressively on the revenue share — 40-50% in some cases — which dents their ability to bring down tariffs. This inflates the costs of businesses, while the port trusts get the revenue, virtually sitting idle.

The PPP model in the sector is hamstrung by a variety of problems: Port trusts' inability to lease out land to private operators in time, delays in approvals from multiple agencies, rows over interpretations of the concession agreement, often leading to litigation, to name a few. Although 100% foreign direct investment is allowed in the sector, global tenders are still not the norm in the sector due to security threat perceptions. Most of these issues will be addressed if the Bill cleared by the Cabinet becomes law.

The Bill proposes to simplify the composition of the port boards: These will comprise 11 members from the present 17 to 19 members representing various interests. "A compact board with professional independent members will strengthen decision-making and strategic planning. Provision has been made for inclusion of representative of the state government in which the major port is situated, ministry of railways, ministry of defence and customs, department of revenue as members in the board apart from a government nominee member and a member representing the employees of the major ports authority."

An independent review board has been proposed to be created to carry out the residual function of the erstwhile TAMP for major ports, to look into disputes between ports and PPP concessionaires, to review stressed PPP projects and suggest measures to review stressed PPP projects and suggest measures to revive such projects and to look into complaints regarding services rendered by the ports/private operators operating within the ports would be constituted. At present, there is no independent body to look into the above aspects and the review board will reduce the extent of litigation between PPP operators and ports.

Source: financialexpress.com– Dec 15, 2016

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