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USD 67.75 | EUR 72.26 | GBP 84.44 | JPY 0.62

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
18549	38800	**72.77**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19140	40036	**75.09**

International Futures Price

NY ICE USD Cents/lb (December 2016)	72.13
ZCE Yuan/MT (January 2017)	15,325
ZCE Cotton: USD Cents/lb	**88.44**
Cotlook A Index - Physical	**79.05**

Cotton & currency guide:

- Cotton price advanced on Wednesady's trading session both at domestic and global markets.
- The spot price of cotton in India traded above Rs. 39000+ per candy and its repercussion was felt on the futures contract.
- The November future ended the session at Rs. 19440 up by Rs. 250 from the previous close. In the meanwhile the ICE futures for March contract also traded positive.
- Cotton futures for March delivery gain 1.4% to 71.45c/lb after climbing 2.1 percent in previous two days.

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

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INTERNATIONAL NEWS

World Bank: Bangladesh Has Potential to Become Export Powerhouse

Bangladesh is one of the apparel industry's global hubs, yet it is lacking in prosperity compared to its East Asian neighbours.

According to a World Bank Group report released Monday, Bangladesh can become an export powerhouse at the level of other Asian countries by reforming its business competitiveness and trade regime, which will foster global competition among firms in the long run.

The report, "South Asia's Turn: Policies to Boost Competitiveness and Create the Next Export Powerhouse," said South Asia will contain more than one-fourth of the world's working adults by 2030 and due to this growth, nearby nations should invest in higher education levels and urban areas.

Four policy levels were also identified in the report to help Bangladesh boost its international competitiveness and productivity. They included improving the business environment, connecting firms to the global value chain, maximizing agglomeration benefits and strengthening firm capabilities.

In the last decade, Bangladesh's exports increased by 13 percent each year, with 80 percent of those focused on low value apparel products. The report said Bangladesh needs to improve the mix and quality of its apparel products, in addition to diversifying into new labor industries, including footwear, to grow its exports.

The report also homed in on how South Asian countries could improve their export outlook. Due to low productivity, South Asian nations have underperformed in the quality and quantity of their products. Currently, almost 80 percent of Bangladesh firms practice technological innovation, which is above the average in Africa and Eastern Europe, but most are limited to imitating existing products.

The report suggested that South Asian countries, including Bangladesh, should expand their global value chain participation, which would gradually reduce tariffs and improve trade logistics.

For Bangladesh specifically, the report said the nation needs to provide manufacturing firms with access to required infrastructure and serviced land, in order for large foreign investors to invest in its garment sector. With government support, firms can focus more on employee training, introducing new products and processes and take advantage of online market opportunities.

“To realize Bangladesh’s competitiveness potential, the country needs to start by focusing on improving its trade policy regime and the business environment, and address the acute shortage of industrial land,” World Bank country director for Bangladesh, Bhutan and Nepal Qimiao Fan said. “With the right set of policies and enabling environment, there is no reason why Bangladesh cannot become the next Asian export powerhouse.”

Source: sourcingjournalonline.com– Nov 15, 2016

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Belarus cos at IITF looking for partners in India

Belarus is the ‘Focus Country’ in the 36th edition of India International Trade Fair, being held from November 14 to 27. Many companies and industries from Belarus representing varied sectors such as textiles, education etc are exhibiting in IITF. Needless to say, they are looking for business opportunities and partnerships in India.

Tatsiana Matsiushonak, ConcernBellagrom, Republic of Belarus and a cooperation specialist in the Foreign Economic Relations Department, spoke to The Dollar Business about possible opportunities that exist in the textile, apparel and footwear sector of Belarus.

“We are here for the first time. We are representing the interests of the textile, apparel and footwear industry of our country. We are looking for possible partners and would also like to develop a relationship with the Indian market,” she said.

Matsiushonak expressed keen interest in the Indian textile industry. She said, “We know that India is leading in the textile industry. But Belarus too has varied textile items that could interest the Indians. For example, we have a wide variety of linen products that are quite exclusive to our country.”

When asked about investment opportunities she said, “We are open to any kind of cooperation which is mutually beneficial, be it in manufacturing or investment. Like I said earlier, we have some exclusive fabrics, like linen, which can be used in upholstery or apparels. Business in readymade apparel is tough and we don’t see much scope in that area. But an opportunity in linen is what we are looking forward and I'm confident that something could happen there.”

Alena Kasyanik, who is representing the Ministry of Education of Belarus, said, “I am pleased that India has invited our country to participate in this fair. I am awestruck seeing the enormous size of the fair.”

Alena was pleased and excited to see different Indian states showcasing their unique items and added, “this provides a good opportunity for Belarus to showcase its products and to find good partners.”

On the education front, Kasyanik stated there are a lot of educational opportunities for Indian students in Belarus and acknowledged the presence of Indian students in Belarus universities.

When asked about a possible partnership in the education sector, she said, “We are trying in that direction.

We are happy to see that many Indians are keen to study in our universities and hope that some kind of a collaboration will happen on that front soon.

We hope to see an increase in Indian students in our country."

Source: thedollarbusiness.com– Nov 16, 2016

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TPP bill passed by New Zealand parliament

Parliament has passed the Bill that allows the Government to ratify the Trans-Pacific Partnership free trade agreement amid opposition complaints that it's a waste of time.

The Bill lines up New Zealand laws with its obligations under the 12-nation agreement which covers 40 percent of global trade and 800 million people. Partner countries signed it in February but it still has to be ratified - and the United States is the big problem.

President-elect Donald Trump is a vehement opponent and Prime Minister John Key has said the chance of the US Congress ratifying it before the January 20 inauguration is "close to zero".

During the debate on the Bill Labour, the Greens and NZ First said it was a waste of time because the agreement was dead in the water.

Trade Minister Todd McClay said the Bill signalled New Zealand's commitment to international trade liberalisation.

"At times when there is uncertainty in the rest of the world, New Zealand's consistent and trusted voice of negotiating trade outcomes that are good for our economy needs to be heard," he said.

To come into force the TPP must be ratified by at least six countries that account for 85 percent of the group's economic output, meaning the US is essential.

The partner nations are New Zealand, Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, the United States and Vietnam. The Bill passed its final third reading stage by 61 votes to 57 on Tuesday.

National, ACT and United Future supported it.

Labour, the Greens, NZ First and the Maori Party opposed it.

Source: newshub.co.nz – Nov 16, 2016

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Nigeria, China's cooperation imperative for economic growth – Saraki

Senate President, Dr. Abubakar Bukola Saraki, on Tuesday identified the provision of infrastructure, industrialization and Information Technology (IT) as critical areas that require solid co-operation between Nigeria and China for economic revival and growth.

Saraki, according to a statement from his Media Office, in Abuja, stated this when he hosted the Chinese Ambassador to Nigeria, Mr. Zhou Pingjian in his office.

The Senate President lauded the excellent relationship between Nigeria and China and said there was need to take it further in more mutually beneficial ways.

He noted that Nigeria has demographic similarities with China and expressed hope that both countries will be able to resolve any outstanding issue towards deepening their relationship.

He said there was ample room for Chinese investors to invest in the textile industry in the northern part of the country towards reviving commercial activities there.

He also called for better parliamentary co-operation between the National Assembly and the Peoples Assembly of China through the exchange of ideas on parliamentary best practices.

Saraki said: "We can further deepen the relationship between us and be able to put behind us some of the long outstanding issues and then break into new areas that we all wish for. I think there is no doubt today that Nigeria as a country – both as a government and a people – that we really treasure the importance of a relationship with China. I want to reemphasize that as we look at the present government's policies and direction, we believe that there is a great role for your country to play. There is a lot that we can do together to build trust," he said.

In a related development, Saraki has pledged the co-operation and support of the Senate for all financial institutions offering non-interest based financial services in Nigeria.

He said that non-interest financial services would be most appreciated in this country especially now that the economy is in recession.

Dr. Saraki, while addressing the Chairman of of the Board Of Directors of Jaiz Bank Plc, Alhaji Umaru Mutallab and members of the management team who visited him in his office also stated that the recently passed Public Procurement law by the Senate was aimed at stimulating the Nigerian economy, especially now that the economy of the country is in recession.

The Senate President said the National Assembly will ensure a level playing ground for all banks operating in Nigeria, especially in the area of ensuring that same laws regulating all banking institutions apply to those offering the non-interest financial services.

“I commend Jaiz bank and your dogged determination in ensuring that the services of non interest bank has taken root in Nigeria. Our duty and responsibility is to ensure that your bank and other financial institutions offering non interest services have a fair playing ground with other banking and financial institutions in the country.

The Senate is reviewing some economic laws and it is our duty that the right laws are created for the smooth operations of all banks and financial institutions”, Saraki said.

While Mr. Pingjian lauded Nigeria for its great strides and pledged to further deepen diplomatic relations between China and Nigeria, Dr Mutallab said the visit was to intimate lawmakers on the proposed changes in tax laws and the need to specially cater for non-interest finance by ensuring a level playing field.

Source: dailypost.ng- Nov 16, 2016

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World cotton stocks to dip 7% in 2016-17: ICAC

World ending stocks of cotton are forecast to decrease by 7 per cent to 17.8 million tons at the end of 2016-17 as China continues to reduce its stocks. Ending stocks in China, where much of the excess stocks are held, dipped 13 per cent to 11.3 million tons as the government sold over 2 million tons from its reserves from May through September 2016.

From 2009-10 to 2014-15, world ending stocks increased by 140 per cent and reached a world record of 22.2 million tons. In 2015-16, the drop in world production led to a 14 per cent reduction in stocks to 19.1 million tons.

Meanwhile, the Chinese government restricted import quota to the volume required by its WTO commitments in 2015 and 2016. The government has also announced that it will continue to sell from its reserves next year, beginning March 2017 when the majority of the new crop will have been sold.

As a result of the government selling from its reserves, cotton stocks in China are expected to decline by 15 per cent to 9.6 million tons by the end of 2016-17. However, stocks outside of China may rise by 4 per cent to 8.2 million tons, after falling by 16 per cent to 7.9 million tons, the International Cotton Advisory Committee (ICAC) said in a release.

The stock-to-use ratio for the world less China is projected at 34 per cent, which is about four months of consumption, and in line with the 10-year average.

In 2016-17, world cotton production is projected to increase by 7 per cent to 22.4 million tons as a 9 per cent increase to 753 kg-ha in the world average yield offsets a 2 per cent contraction in world cotton area to 29.7 million hectares.

India will remain the world's largest cotton producer, although its production is forecast to remain unchanged from 2015-16 at 5.8 million tons.

Output in China is projected to decrease by 4 per cent to 4.6 million tons while production in the US is expected to grow by 24 per cent to 3.5 million tons.

After a 34 per cent drop in production due to adverse weather, competition with other crops, low prices and an outbreak of pink bollworm, Pakistan's cotton production is expected to recover by 24 per cent to 1.9 million tons in 2016-17. After facing lower inventories in 2016 due to strong export demand, cotton production is forecast to increase by 8 per cent to 1.4 million tons in Brazil.

In 2016-17, world cotton consumption is projected to remain unchanged at 23.8 million tons, despite the widening gap between polyester prices and international cotton prices.

Mill use is expected to rise in three of the top ten consuming countries – Bangladesh, Vietnam, and the United States, where consumption is forecast to increase by 12 per cent to 1.2 million tons, 13 per cent to 1.1 million tons and 1 per cent to 762,000 tons, respectively. This will offset losses in China, Turkey and Brazil, where mill use is projected to decrease by 2 per cent to 7.2 million tons, 3 per cent to 1.45 million tons, and 12 per cent to 645,000 tons, respectively.

Source: fibre2fashion.com - Nov 16, 2016

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Foreign orders for Italian textile machines rise: Report

The orders index for textile machinery recorded an increase for the third quarter of 2016, thanks to positive sales figures abroad, a survey carried out by the Association of Italian Textile Machinery Manufacturers (ACIMIT) showed. For the period from July to September 2016, the overall order intake increased by 16 per cent compared to the same period last year.

The third quarter value for 2016 stood at 101.1 points (2010 basis = 100). However, this growth applies to foreign markets only, where the index recorded an absolute value of 112.3 points (+20 per cent compared to July to September 2015). In Italy, the index stood at 48 points, dropping off by 14 per cent over the same quarter in 2015.

ACIMIT president Raffaella Carabelli said, "This data on orders confirms the significant vitality in foreign markets. The order intake from Italy's domestic market has declined after two consecutive quarters of growth. We're still far from an effective recovery for the domestic market.

However, we're confident that the plan put forward by the Italian Government for 2017 fiscal year can give confidence to businesses who need to invest."

Source: fibre2fashion.com- Nov 16, 2016

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Vietnam: PVTex dream smashed

While foreign investors flock to Vietnam, many textile projects developed by Vietnamese investors have failed, raising concerns about the future of Vietnam's textile & garment industry.

Vu Dinh Duy, general director of PVTex, a large polyester plant which is incurring a loss of trillions of dong, has been absent from his post for many years and out of contact.

The plant, which started operations in 2008, was expected to help reduce the country's reliance on imports of the same kind of fibre by 30 percent. An investigation of huge losses is to be undertaken.

PVTex and enterprises like PVTex could hinder the development of Vietnam's textile & garment industry.

Although it has been open for a short time, the bonded warehouse of Huntsman Textile Effects belonging to US-based Huntsman, which specializes in providing dyes and chemicals for the textile & garment industry, has been working at full capacity. The demand for products from newly invested fiber plants in Vietnam is very high.

Many fiber plants developed by investors from Japan, South Korea, China and India have been set up in anticipation of the Trans Pacific Partnership Agreement (TPP).

The Japanese fabric manufacturer Shikibo plans to cut the production volume at its plant in China and increase output in Vietnam. The Osaka branch of Kuraray synthetic fiber has invested $2.51 million to install the production line that makes sportswear in Da Nang City. In 2014, Itochu set up a factory in Vietnam which can churn out 500,000 meters of fabric a month.

A report shows that foreign direct investment (FDI) in the textile & garment sector had reached a record high of $2 billion by the end of 2015.

Meanwhile, Vinatex is the only Vietnamese corporation which makes heavy investment in fiber manufacturing, dyeing and textile projects with an aim to ease reliance on material imports.

PVTex, a project co-developed by Vinatex and PetroVietnam, is one of them. Designed to make 500,000 tons of fiber a day, it is hoped to provide polyester at a low price which will replace imports worth $1.6 billion a year.

PVTex only became operational in 2012, two years later than initially planned. Meanwhile, after two years of operation, it incurred a loss of VND1.472 trillion.

Vinatex then decided to divest from PVTex in 2014. In early 2015, the plant halted its operation. Later, it resumed operation but continued incurring a loss of VND3.34 million per ton of products.

PVTex has found two partners showing interest in the project – Indian Indorama Group and Singaporean Fortrec Chemicals. However, no final decision has been made.

Source: vietnamnet.vn- Nov 16, 2016

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John Lewis offers best customer service in UK: Survey

John Lewis, a 100-year-old department store, was ranked first in terms of customer service in the UK by close to 32 per cent of the respondents of a survey conducted by a customer experience management solutions provider in the country.

Tesco is also among the leaders in providing the kind of customer service that consumers have grown to expect.

About half of the consumers who were surveyed said that they would stop buying a brand's products if it neglected their concerns.

Clarabridge conducted the survey to examine customer expectations of brands in the UK. The company interacted with over 1,150 consumers between the ages of 18 and 59 living in the UK.

Clarabridge's survey results define the state of the UK market in 2016 and highlight critical customer service improvement points that will dictate the ongoing success of UK brands on a global scale.

They underscore the necessity for brands to deliver a superior customer experience in today's digital climate where consumer expectations for timely and effective service are at an all-time high.

Consumers in the UK seeks improvements in customer service over social media channels as only a third of problems (33 per cent) that UK residents tweet at brands are resolved, and those that are handled have little sense of urgency.

Close to 50 per cent of the problems tweeted at brands take more than 2 hours to be resolved, with only 11 per cent of problems being resolved in less than 10 minutes.

As for customer service calls, a mere 5 per cent of customers felt 'completely satisfied' with their call experience and more than half of customers (64 per cent) found their calls to be neutral to 'not at all satisfying'.

Call centres are responsible for 53 per cent of customer's biggest frustrations when interacting with brands/companies.

Of any industry, UK customers perceived retail stores to have more superior customer service than any other industry (38 per cent).

"At Clarabridge, we believe in the power of listening to customer feedback across multiple channels to understand the voice of the customer and make changes that drive business success.

It is time for all UK brands to embrace social media for customer service.

These findings offer new insight into the expectations of British consumers and illuminate multiple opportunities for brands to change the way they interact with them, saving time and money with improved results for everyone involved," said Susan Ganeshan, CMO of Clarabridge.

Source: fibre2fashion.com - Nov 16, 2016

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NATIONAL NEWS

Biggest Yarns, Fabrics & Accessories show in South Asia 'YFA 2016' begins 23rd Nov 16

The Yarn Fabric & Accessories Show (YFA) 2016 which starts from November 23-26, 2016 at NSIC Okhla, New Delhi, India aims to redefine the way fiber, yarn, fabric and apparel accessories are sourced and bring renowned suppliers from the these four segments closer to buyers and also offer buyers a one-stop place to source all their requirements.

Renowned and major textile companies like Indorama Synthetics India Limited, RSWM Ltd, Bhilosa Industries Pvt. Ltd, Vardhman Textiles Limited, TT Limited, Nahar Industrial Enterprises and many others have signed up to exhibit at the biggest South Asian show of fibers, yarns, fabrics and accessories and which has received support from NITMA, TEXPROCIL, SRTEPC, PDEXCIL, AEPC, CMAI, FOHMA, UPAEA, NAEC, TAI, NITRA, NSIC & PTA Users Association.

The Indian textile industry is the world's second biggest industry, while India also has the second biggest population with rising incomes. With rising costs, China is losing its competitiveness, due to which, India is emerging as the next best worldwide alternative to do business in the sector, due to its cost-effectiveness and also demographics.

By exhibiting, the YFA show can prove to be a gateway for foreign companies to enter the attractive and lucrative Indian market and grab a slice of the ever-growing market for textiles and apparels, since the show is taking place in a region of India, which is one of the biggest Indian hubs for manufacturing textiles and apparel.

The show has attracted attention of Indian textile companies in the textile value-chain, not only from just Northern India, but also Southern, Western and Eastern India, which goes to prove the popularity of the show with exhibitors.

The fibers segment will see India's biggest private sector company; Indorama Synthetics india Ltd. showcase its specialty portfolio of fibers for various applications alongside will be Roica, a spandex yarn brand which will be represented by Bishnu India, its marketing agent in India.

The Yarn segment will see India's biggest private sector company LNJ Bhilwara Group's flagship company, RSWM Ltd., Vardhman Textiles Limited, Nahar Industrial Enterprises, Mumbai based Nimbark Ltd., Soundararaja Mills, Everflow Petrofills Ltd., T.T. Ltd., National Textile Corporation and many more.

Fabric section is represented by Kudu Knit Fab from Ludhiana and Meher International, Textrends, Rawalwasia Group from Surat, Sanchi Velvets from Mumbai alongside Winsome Textiles, Gloster Limited and many more.

The garment accessories section will see action from exhibitors like Uflex Industries, Jai Roop Narrow Fabrics, PETAL, Sky Hemmay, Nilesh Ribbon Industries, Crystal Collections, Mohan Thread Mills, Madeira India, Nandganesh Ribbon, B.K.S. Exim LLP, King lace, Kiona fashion and many more.

In order that exhibitors get full advantage during the course of the four-day show, the organizers have also planned several B2B meetings between exhibitors and visitors and also invited business delegations from various parts of the world.

Delhi and its surrounding area, is the headquarters for several renowned Indian and global apparel brands and also home to hundreds of spinning and weaving units as well as thousands of garment manufacturing units.

Top officials, merchandising and sourcing teams from these companies and brands are expected to attend to the show, which will provide exhibitor's access to the most exclusive buyers ever seen in any other exhibition of this category.

Sourcing teams from some of the iconic global brands like GAP, H&M, Nike, M&S, Levis, etc are expected to visit the show, while teams from Indian apparel brands like, Wills Lifestyle, Arvind Ltd., Madura Lifestyle, etc, also will be seen and sourcing teams from the biggest Indian garment manufacturers like Shahi Exports, Pearl Global, Orient fashions and many more too will be visiting the show.

A lot of professionals from the abovementioned companies have already registered with the show as visitor.

The show has already gathered a lot of enthusiasm among the industry. Vision Communications, the organizer, has initiated a 360 degrees integrated marketing and PR campaign to attract the maximum number of genuine visitors.

Founder duo of Vision Communications, Abhishek Sharma and Ankur Goel say, "Our aim is to bring producers of world class and multiple varieties of value added fibers, yarns, fabrics and also garment accessories closer to the end-users in Delhi and its surrounding areas through YFA 2016."

So, if you are a producer of fibers, yarns, fabrics or clothing accessories, YFA 2016 is the place to be, whereby, participating in this exhibition will offer a sense of satisfaction never seen before, as a large number of only genuine and serious buyers will be seen visiting the exhibition.

Source: yarnsandfibers.com- Nov 16, 2016

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Bilateral Trade agreement between India and Bhutan

Commerce and Industry Minister Smt. Nirmala Sitharaman and H.E. Tengye Lyonpo Lekey Dorji, Minister for Economic Affairs, Royal Government of Bhutan signed the Agreement on Trade, Commerce and Transit between India and the Royal Government of Bhutan in the presence of H.E. Lyonchhen Tshering Tobgay, Prime Minister of Bhutan at the Gyalyong Tshokhang in Thimphu on 12 November, 2016.

The first Agreement on Trade and Commerce between Bhutan and India was signed in 1972. Since then, the Agreement has been renewed four times.

The last Agreement was renewed on July 28, 2006 and was valid till July 29, 2016.

The validity of the Agreement was extended for a period of one year or till the date of coming into force of the new Agreement, whichever is earlier, by exchange of diplomatic notes between the two countries.

The new bilateral Trade Agreement aims to enhance trade between the two countries through trade facilitation by improving procedures, cutting down on documentation and adding additional exit/entry points for Bhutan's trade with other countries. It is also expected to further strengthen the excellent relations between the two countries.

She also had a bilateral meeting with a high level Bhutanese delegation led by Lyonpo Lekey Dorji, Minister for Economic Affairs of Bhutan where both the leaders discussed various issues related to bilateral trade, transit and investment.

Source: business-standard.com - Nov 16, 2016

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Money laundering in cotton market?

Purchasers using banned notes, sourced from politicians' stockpile, to pay farmers

Demonetisation could not have taken place at a better time from the point of view of the unscrupulous politicians in Adilabad district. They are smug in the knowledge that at least a part of their ill-gotten wealth will be converted into white money if used in cotton trading, currently on here.

Adilabad town's huge cotton trade and processing centre, which is estimated to log in a turnover of about Rs. 5,000 crore every year, has always been in the limelight for wrong reasons. It is now in focus for the unholy nexus between the traders, commission agents and politicians which is reportedly coming in handy in laundering black money.

The trader-purchasers are using scrapped currency, a good part of it sourced from the politicians' stockpile, for making cash payments to farmers for their cotton traded in the agriculture market yards in Adilabad and Boath.

The procedure of trading cotton does provide enough scope for such nefarious activities.

The white 'gold' is sold by farmers through commission agents who are the ones who make the payments in cash on behalf of the purchaser, except in the event of Cotton Corporation of India entering the scene wherein money is credited directly into the bank account of farmers. The commission agents in turn get paid by the trader after the lapse of certain period.

In this instance, it is strongly rumoured that some traders are even paying an incentive of Rs. 300 or Rs. 400 to farmers on every quintal of cotton purchased. This is to ensure they accept payments in lapsed currency notes and deposit those in respective bank accounts not minding withdrawing them gradually.

The purchasers and the commission agents record the transactions showing payment due in the name of the farmers concerned. At a later date, the trader will 'pay' his dues to the commission agents who in turn will draw it from the bank as white money purportedly to pay to the farmers but will actually channelise it back to the cotton purchaser.

Inquiries with the Telangana Grameena Bank, the bank with the largest farmer-customer base, revealed that a handful of farmers under its Bela branch did try to deposit unusually large sums in lapsed currency notes. "Though we cannot deny the existence of the money laundering phenomenon, we are taking precautions not to become a part of the crime even unwittingly," asserted an official of the TGB.

It is only a few days since the demonetisation came into effect and so the quantum of black money infused into the market may not be alarming.

Another impediment would be the slack arrivals of the produce in the markets which has the cumulative purchases at 1.72 lakh quintals against the 3.13 lakh quintals recorded in 2015 at Adilabad market yard.

Source: thehindu.com– Nov 17, 2016

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Textile mills seek measures to pay workers

The main demand of many of the textile mills in the region, since the announcement on demonetisation of Rs. 500 and Rs. 1000 notes, is the need for arrangements so that the mills are able to pay the workers, especially the casual workers who get their wages in cash.

It is not just payment of wages, but several other daily activities that are affected because of the demonetisation of the Rs. 500 and Rs. 1000 notes, say industry sources here.

Bank accounts

According to the spokesperson of a 1.5 lakh spindle mill that employees 2,000 people directly, the bigger mills have opened bank accounts for the workers, even the trainees, and pay the salary in the accounts. But, weavers and yarn agents do not want to lift the yarn from the mills now, especially those in the northern States.

Some of the weaving centres have come to a standstill and this has hit the mills here.

Yarn stocks are piling up. In the case of cotton too, the arrivals are just picking up and ginners are unable to pay the farmers in cash. Hence, farmers are not bringing cotton to the markets. There is a pressure on raw material and sales front. The Government should look at easing the pressure felt by businesses, the spokesperson said.

The Managing Director of a 75,000 spindle mill, which employs 1,200 people directly, in Salem says lorry movement is hit because of the demonetisation. Very few lorry owners are willing to accept payment by cheque.

Further, most of the mills are purchasing cotton only for their immediate needs and cotton prices have also firmed up. Cotton farmers are not willing to sell cotton now. Apart from the regular workers there are temporary workers for maintenance works. They get weekly wages.

They need payment of wages in cash. Even the workers who get the salary in their bank account are unable to withdraw money from the ATM. And, the savings with them are in the denominations of Rs. 500 and Rs. 1,000.

Advance payment

These workers want to change the notes immediately or they ask for advance payment of wages. They will have to go to the bank for this and will not be able to work on that day.

The cash need of textile mills is high and there should be systems to help the units manage day-to-day operations, say the sources.

Source: thehindu.com– Nov 17, 2016

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India Cotton Supplies Slump as Banknote Switch Roils Farmers

Cotton supplies at Indian markets dropped by more than half after Prime Minister Narendra Modi's surprise move to withdraw and replace high-denomination banknotes.

Prices have already climbed about 4 percent as farmers withhold supplies, Aurobinda Gayan, vice president for research at trader Kotak Commodity Services Ltd., said in an interview on Tuesday. They may climb further through early next week before retreating, he said.

The move to withdraw 500 and 1,000-rupee banknotes has dented the confidence of farmers in the world's biggest producer of cotton as they largely sell their harvest for cash. With long queues outside banks and post offices to exchange or withdraw new bills, cultivators may be withholding sales until cash shortages ease.

"The farmers normally don't want to go to the bank but when there is no alternative they will start accepting checks," Laxmi Narayan Gupta, a director at Tikamsa Dulichand Natural Fibers Ltd., which trades and processes cotton, said in a telephone interview. "It will take some time, maybe about a month, for the situation to normalize and until that time cotton prices will keep rising."

Cotton arrivals in wholesale markets have fallen as low as 60,000 bales a day, down from as much as 140,000 bales before the prime minister's Nov. 8 announcement, Gayan said.

Prices climbed to as much as 39,500 rupees ($584) per candy (356 kilograms) in the physical markets, from 37,900 rupees, he said.

The “majority of the payments to the farmers are made in cash and that’s why farmers are not bringing cotton to the market,” Dhiren Sheth, president of Cotton Association of India, said by phone on Tuesday. “It will take a week to 10 days for the situation to normalize.”

Cotton yarn demand will be weak at least for a month as the cash crunch will potentially curb demand, said Gupta, who’s been trading and processing cotton for three decades. “The payment system has to improve and that will set a better trend for the future trade,” he said

Cotton output in India may climb to 35.1 million bales in 2016-17, from 33.8 million bales a year earlier, according to Textile Ministry.

Source: bloomberg.com– Nov 16, 2016

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Demonetisation: Textile, leather units feel heat

The textile and leather sectors, major sources of employment, are facing heat from the Centre's decision to demonetise the Rs 500 and Rs 1,000 currencies.

Companies are not able to pay wages and so, people are staying away from factories. The other challenge, mainly for the unorganised sector, is procurement of raw material. With labourers not coming to work, this is impacting output.

The exporters association at the textile hub of Tirupur in Tamil Nadu has welcomed demonetisation but requested withdrawals of higher amounts, based on the average they have been regularly withdrawing from banks for the past six months. This would, they plead, enable payment of weekly wages and other sundry expenses.

Of the around 600,000 workers at Tirupur, 40-50 per cent are migrants. Many don't have bank accounts. These workers usually get paid Rs 300-400 a day.

"We are ready to open accounts (for the work force) but bankers are burdened with a heavy load since demonetisation came into effect. They're not able to open thousands of accounts in the current situation," said an exporter.

"We require Rs 10-15 lakh a month in cash to pay to the employees but the banks are only allowing withdrawal of up to Rs 20,000," says Sabu M Jacob, chairman, Kitex Garments. "Every month, we have 150-200 new employees joining; they might have to be paid in cash till they get a bank account. Even normally, it would take 15-60 days to open an account for migrant workers; now, the opening of new accounts has come to a standstill."

Leather

In the leather industry, 90 per cent of the units are small and medium enrterprises. The major problem is sourcing of raw material, supplied mostly from rural parts, said Rafeeque Ahmed, chairman, Council for Leather Exports.

"On a daily basis, half our workers have not been reporting to duty by rotation, since they are queuing at the banks to exchange money," added Uttar Pradesh Leather Industries Association's former head, Taj Alam. He feared export order deadlines would not be met, leading to loss of customers.

The leather hub of Kanpur employs roughly 100,000 workers and clocks around Rs 7,000 crore in annual export. Units here are not able to pay their workers in this liquidity crisis. Last week's wages were largely unpaid.

"Most of our workers either do not have any bank account or have little savings in them. Besides, the small cash at their home is in the from of the demonetised currency, which needs to be exchanged," said Alam. Productivity had dipped by half.

The positive side of the story, according to a senior official from the industry, is that many of the units in the traditional clusters were not recording provident fund and other employee benefits properly, since most of the transactions had been in cash -- they will either pay less or don't show it on their records. The new move will obviate this.

Industry sources said some companies were giving two months salary and bonus in advance, to dispose of Rs 500-1,000 rupee notes.

Source: business-standard.com– Nov 17, 2016

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'EU wants to start talks with India on a bilateral investment treaty'

Jyrki Katainen, Vice-President of European Commission (Jobs, Growth, Investment & Competitiveness), was recently in India to initiate talks for an India-EU Bilateral Investment Treaty (BIT) as some of these pacts which India has individually with EU member-states are expiring soon. In an interview with *BusinessLine*, Katainen said EU is willing to fast-track the talks beyond the purview of the free trade agreement. Excerpts:

You held meetings with the Finance and Commerce Ministers to restart the stalled negotiations on free trade agreement or Broadbased Trade and Investment Agreement. What was their response?

Both the Ministers said they are interested in resuming the FTA negotiations and also to negotiate a new investment protection agreement. FTAs are strategically important for the EU because it helps in renewing the European economy. We would like to add India on top of the list because it is a big market.

Were you able to identify a common timeframe when the FTA talks would resume?

There is one challenge that we would like to address before the FTA negotiations and it is the continuation of bilateral investment treaties (BIT). Now when India is terminating these agreements with the European countries, it will take some time to negotiate a new BIT, which will take at least two years.

How will expiry of the BITs impact investments from the EU?

The first one, which India has with the Netherlands, will expire in the next two weeks. And the rest will expire in March, April and May.

Moreover, there will be a legal gap between the time when a BIT expires and a new agreement comes to place. It's a very serious matter. Some of the European companies have said it will adversely impact them if there is no protection on their investments at all. Because, in the interim period, it will raise capital costs and then it may harm European investments into India.

So, according to you, what could be an immediate solution?

Our proposal has been that India holds on to the BITs and not let them expire unless new BITs come in. We can fast-track the BIT talks and try to get it done as soon as possible but it will take time, may be two years or so.

Is the EU willing to negotiate the BIT out of the FTA talks?

We are ready to fast-track BIT talks. We want to have the BIT ready and implemented before the FTA is ready. But we want the legal gap filled up with something and the easiest way is to continue with the existing BITs till we have a new one. This is a practical solution for the companies that are willing to invest here.

Were you able to finalise a date for the BIT talks to start?

We have not finalised a date yet but we are ready to start as soon as possible.

Are there plans to club the BIT with FTA, at a later stage?

Yes, we can merge the two when the FTA will be ready.

Source: thehindubusinessline.com– Nov 17, 2016

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