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

IBTEX No. 23 of 2017 Jan 31, 2017

USD 67.81 | EUR 72.56 | GBP 84.94 | JPY 0.60

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
19959	41750	**78.47**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20500	42881	**80.60**

International Futures Price

NY ICE USD Cents/lb (March 2017)	74.85
ZCE Cotton: Yuan/MT (January 2017)	15,250
ZCE Cotton: USD Cents/lb	**87.10**
Cotlook A Index – Physical	**84.25**

Cotton & currency guide: Cotton again failed to break the recent high of 75.37 and made an intraday high of 75.32. However it took a huge profit booking and the most active March future corrected sharply to end the session at 74.14 cents per pound. This morning the same counter is seen trading at 74.39. We believe every time market attempts to break higher a fresh round of selling pull the price down. The effect was also seen at the domestic future market. The most active February future trades at MCX platform ended the session at 20320 per bale down by Rs. 200 from the previous close. Basically profit booking in the counter has dragged the price lower.

Further on spot front, Interior asking rates for Shankar-6 have advanced moderately since last week, to be placed at Rs. 42,300 per candy, ex-gin. At the prevailing exchange rate, equivalent value is approximately 79.30 US cents per lb. Punjab J-34 has ruled steady, at Rs. 4,570 per maund (81.60 cents per lb). Nationwide, daily seed cotton arrivals are estimated at around 182,000 lint equivalent bales (170 kgs), including 68,000 from Maharashtra and 40,000 from Gujarat. According to the Cotton Corporation, cumulative new crop arrivals by January 27 were estimated at 14,038,700 lint equivalent bales), including almost 3.1 million from Gujarat and over 3.7 million from Maharashtra. The volume of arrivals by the same date in 2016 was 13,400,100 bales, representing a deficit in the current season of roughly 369,000, considerably narrower than the gap of 570,000 which was in evidence ten days earlier.

On today's trading session we expect cotton price to remain down and we recommend selling from higher levels. The trading range for the day would be Rs. 20440 to Rs. 20000 per bale for February future at MCX.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Mexican Manufacturers Poised to Take Potential Backlash from US Trade Changes

As more brands and retailers look to source closer to home to cater to quick-to-market demands, Mexico has picked up in popularity.

Booths were bustling at the Apparel Sourcing USA show in New York which took place in conjunction with Texworld USA Jan. 23-25, as buyers—big and small—stopped to see their options in the Mexican pavilion.

The country's biggest competitive advantage is that more and more retailers are starting to look past Asia as their only option for manufacturing.

"What is happening for Mexico is that people around the world don't want Asian products as much as they did before," said Maribel Ochoa of Giga Fitness, which manufactures sportswear and casual wear. "And it's because of the taxes and the prices of sending the products to the U.S. and because the minimums of the Asian fabrics are much bigger. That has come to be a benefit for us in Mexico."

For Seamless Global Solutions, or SGS, a garment manufacturer based in Puebla, Mexico, innovation in addition to its quick turn capabilities have set it apart.

The company specializes in producing a wide range of seamless garments for sportswear and shapewear, and recently acquired new technology for ultrasonic bonding to eliminate even more seams from the garments. With SGS's Virtus garments using Emana intelligent fabric, microcrystals are inserted into the fiber, providing performance benefits like improved muscle recovery, UV protection, and stimulating properties that even reduce the appearance of cellulite.

"A lot of companies are good for duplicating but not creating," Toni Aldave from SGS said. "What makes us different is we have a group of people that are always doing research for innovation."

Improving quality has also been on the agenda for many manufacturers in Mexico, and upgrades in know-how, training and new technology has come along with that.

Gerardo Gendrop, export sales manager for the Puebla Apparel Association, which represents manufacturers in Puebla, Mexico, that are known mostly for their expertise in denim, said it's all about elevating the country's offering.

"Definitely we're trying to reach the American market on a full package basis," Gendrop said. "Not just production, we want to sell the entire garment and with the advantage that—for now—is duty free because we don't know what's going to happen with Trump."

Turning to that very pressing present topic, Aldave said Trump's trade strategies—which look likely to include renegotiating NAFTA—have put Mexico on edge. And now that Trump has proposed putting a 20 percent tax on all imports from Mexico, concern among manufacturers could increase.

"There was a moment that this caused us a lot of crisis, now it is a little better…but right now everybody is worried," Aldave said ahead of the 20 percent tax announcement. If Mexico ends up unable to trade with the U.S. in the manner it has been, SGS plans to put more focus on its domestic market.

"Instead of buying most of our yarn from the U.S…we will have to change to local yarns," Aldave said. "These are the decisions that will need to be taken. But so far, nothing has changed. Even our prices have stayed the same. Now we are just waiting to see what is going to happen."

According to Ochoa, drastic change in trade relations with Mexico may not prove as beneficial as the new U.S. administration might expect.

Until things become clearer, Ochoa said she aims to grow Giga Fitness exports by at least 40 percent this year and will look to develop relationships with more buyers in Europe if relations with the U.S. become increasingly strained or costly, or both.

"I think they [the Trump administration] are not going to be able to close everything because it will be a cost for the U.S.," Ochoa said.

Gendrop and the collective of Puebla manufacturers he represents also plan to start looking at other markets, like Europe and Latin America, for their exports as an alternative strategy, though there's still optimism before Trump announced the potential 20 percent tax, that any changes to NAFTA won't affect the apparel industry all that much.

"We hope that everything will remain the same regarding apparel business and textiles and definitely we are looking forward to exporting to the U.S. and trying to match the best prices," Gendrop said. "We have to be confident that everything will be fine."

Mexico has also been facing steeply rising gas prices and riots against the raises, but manufacturers there said the protests have been controlled and haven't yet plagued the apparel sector.

Deliveries haven't been affected either, as far as Ochoa has experienced, and as she explained, the scenario won't likely push many manufacturers to raise prices.

"The people that are going to raise the price are the people that take all the benefits for themselves and not for the good of the company and the country," Ochoa said.

Source: sourcingjournalonline.com – Jan 28, 2017

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Better Cotton Initiative (BCI) Gets $2.1M to Increase Sustainable Cotton Production

Better Cotton Initiative is receiving major funding to boost sustainable cotton production.

BMZ, a Federal Ministry of Germany, granted the not-for-profit organization $2.1 million to boost eco-friendly cotton farming worldwide. The funding will be used to support global training and address environmental issues in cotton farming, including water efficiency, pesticide use and labor ethics.

“BCI is a leader in the effort to achieve better environmental and social standards in cotton production,” federal minister for economic corporation and development Dr. Gerd Müller said. “Together with the private sector, civil society and producer country governments, we are defining standards.”

BCI also welcomed BMZ to the BCI Growth and Innovation Fund (GIF), its global investment vehicle managed by strategic partner, The Sustainable Trade Initiative (IDH), which supports international Better Cotton projects. GIF strengthens BCI’s goal of accounting for 30 percent of global cotton production by 2020 and reaching 5 million farmers worldwide.

Last year, the GIF invested more than $5.3 million in sustainable cotton projects and with BMZ’s contribution, BCI will be able to significantly scale-up its portfolio for the next season.

“The BCI Growth and Innovation Fund is a global partnership fund set up to support Better Cotton farmers around the world,” Better Cotton Initiative CEO Alan McClay said. “BCI currently has 66 retailers and brand members who contribute to the fund and global institutional donors and government agencies are invited to match the contributions from the private sector to achieve a multiplier effect.”

BCI’s latest grant follows the organization’s second public consultation on the BCI Standard Revision. On Dec. 8, BCI invited stakeholders to provide comments on this global document, which will be used to set sustainable cotton farming standards and address new agricultural innovations in 2017.

Source: sourcingjournalonline.com– Jan 30, 2017

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Walmart Still Goes Big in Mexico With New Investments

Walmart won't be sitting idly by as Donald Trump unravels U.S. relations with Mexico, the mega retailer has plans to invest $1.2 billion in distribution centers there.

The retailer will spend the money to build distribution centers in the Yucatan Peninsula to better supply its stores in the region, according to the Yucatan Times. The move is expected to generate 10,000 jobs and reduce lead times and costs in the supply chain.

Walmart currently has 2,379 retail units throughout Mexico under its different brands, including 256 Walmart Supercenters. According to Walmart's website, the company employs as many as 194,000 workers in the country.

Walmart had said in December that it would invest $1.3 billion in Mexico over the next three years (which followed a $2.6 billion expansion there over the last four years) to help grow and support the company's logistics infrastructure.

"We are convinced that Mexico is a country rich in opportunities," Guilherme Loureiro, CEO of Walmart de Mexico y Central America (Walmex), said at the time, and that sentiment still seems to hold.

Those opportunities, however, could be challenged as a result of Trump's new trade policies.

There's no telling quite yet what will happen to NAFTA and Trump's intent to renegotiate it, or whether the U.S. will in fact move forward with a 20 percent tax on all imports from Mexico, but talk of the un-built border wall is already dividing the two nations.

Some analysts expect a slowdown in investments in Mexico because of the current trade uncertainty, and that may have already begun.

Trump has taken credit for Ford scrapping its Mexico plant and instead investing $700 million to expand its Michigan plant to produce more electric cars.

Ford CEO Mark Fields said the move wasn't linked to Trump's shaming of shipping jobs to Mexico, but a "vote of confidence" in the pro-business environment Trump is creating.

Source: sourcingjournalonline.com– Jan 28, 2017

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Nigeria: How Can We Save the Textile Mills?

The textile industry in Nigeria matters...

BusinessDay reported that "in 1980s, the Nigerian textile market had become the third largest in Africa, with over 180 textile mills and over 500,000 direct and indirect jobs." At this time textile imports were banned. However, in 1997, the ban on importation of textiles was lifted and cheap imports from China and India flooded into Nigeria and killed off the textile industry. Over 50 companies had closed down, while about 80,000 employees had lost their jobs.

To save the situation, textile imports were again banned in 2004. This new ban came with a bailout fund of N100b for the textile manufacturers plus reduced duties for the importation of raw materials for textile manufacturing. The Bank of Industry has said about N60bn has been disbursed to various beneficiaries under the intervention scheme, which led to the re-opening of the United Nigeria Textile Limited in Kaduna.

Capacity utilization had increased from 40% to 61%. However even with the ban in place Nigeria still imported about N300bn worth of textiles annually, per the National Union of Textile Garment and Tailoring Workers of Nigeria. In fact, Suresh Bakhijani, Indian deputy high commissioner to Nigeria, revealed that Nigeria had imported textile products worth $138 million within one year from India.

By 2015, we came full cycle and have unbanned textiles imports again.

The arguments for this new policy is simple, we banned, but imported textiles are still in Nigerian markets, true. So the ban was not working. The other argument is that Nigeria signed up to the Common External Tariff (CET) and thus, we cannot close our borders to trade, we can at best impose an Import Adjustment Tariff.

Both arguments show a failure of strategic policy, and decision making
Let's take the Common External Tariff (CET)....it is important to understand that there is nothing like free trade, no nation opens up her borders to imports...none. I give a few examples.

China Imposed Anti-Dumping Measures on Korean Polyester

China has initiated temporary anti-dumping measures against South Korean imports of polyester staple fiber, state media reported on November 2002. The decision followed a probe into claims, last year the imports were hitting domestic polyester staple fiber producers hard.
So no one opens her borders because they signed a piece of paper.....

So what can Nigeria do?

1. Subsidize local textile production: Give the local textile companies a 90% rebate on cost of generated Power. According to the textile union "Between 30% and 35% of textile and garment manufacturing costs are energy related expenses. thus give textile plants zero percent CBN interest loan to build embedded power plants or pipelines to get gas to their factories.

2. Strategic imposition of tariffs: Allow me give an illustration how a import tariff should work, let us review the British Calico Acts (1690-1721)

In the late 17th century, The UK Parliament began to see a decline in domestic textile sales, and an increase in imported textiles from places like China and India. Seeing the textile importation as a threat to domestic textile businesses, the UK Parliament passed the Calico Acts and by 1813 the import duty on Indian cotton goods stood at 85%. By 1830 British cotton textiles dominated the world market and the Indian cotton textile industry was in ruins.

The Calico Acts acted as effective trade barriers, which allowed Britain to build up its cotton industry with technology, specifically the steam engine.

The trade barriers allowed for British textile industry to grow and learn to make cotton textiles as efficiently as the Indians did without the threat of foreign competition.

Once the local British textile firms could produce cotton as cheaply as the Chinese and the Indians, the UK lifted the ban on cotton and began to export.

"The goal of protectionism is to allow an industry to develop until it is able to compete in international trade. Once the industry is competitive on global markets, you no longer need domestic tariffs and they can be removed" This is effective where the local market already has latent capacity that can be deployed.

So in Summary, Give the local textile companies local support, for instance, subsidized loans, subsidized diesel, subsidized gas to power gas plants, this will drop their prices and kill off imports.

Consider a temporary tariff hike to give the local mills time to adjust their operations.

The goal should not be protectionism, as a destination but as a pathway to ensuring local textile market survives and creates jobs.
It's our problem, we can fix it.

Source: businessdayonline.com– Jan 30, 2017

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U.S., UK to Begin Preliminary Talks on Bilateral FTA

Following a Jan. 27 meeting in Washington, D.C., U.S. President Donald Trump and United Kingdom Prime Minister Theresa May announced plans to work toward a bilateral free trade agreement that could take effect shortly after the UK formally exits the European Union, which is expected to occur in early 2019.

May said the two sides are "discussing how we can establish a trade negotiation agreement, take forward immediate high-level talks, [and] lay the groundwork for a U.K.-U.S. trade agreement." According to press sources, joint negotiating groups will be established to "scope out" what progress can be achieved during the Brexit process so that an agreement can be signed "as soon as possible" once that process is complete.

May said the agreement will also be used to "identify the practical steps we can take now in order to enable companies in both countries to trade and do business with one another more easily." Such steps could include removing mobile phone roaming charges, the mutual recognition of professional qualifications, and removing non-tariff barriers to U.S. imports of certain UK agriculture and food products.

Source: strtrade.com– Jan 31, 2017

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Trump trade adviser sees bilateral deals replacing TPP

The U.S. will make bilateral deals central to the country's trade policy after its withdrawal from the Trans-Pacific Partnership agreement, according to a top trade adviser to the Donald Trump administration.

The comments were made by Peter Navarro on Sunday on a U.S. TV program.

The view by Navarro, hand-picked by Trump to head the National Trade Council, is seen as an indication that a comprehensive bilateral free trade deal may emerge as a key item at the meeting between the new president and Japanese Prime Minister Shinzo Abe scheduled for Feb. 10 in Washington.

The National Trade Council is a new presidential advisory body on trade strategies in the White House.

The council was created by the Trump administration, and it leads Washington's trade policy in collaboration with the Office of the U.S. Trade Representative and the Commerce Department.
Navarro, an economist who specializes in U.S.-China trade issues, advised Trump on economic policy during his presidential campaign.

In Sunday's TV appearance, Navarro, responding to a view that the U.S. withdrawal from TPP may benefit China, said trade negotiations with Japan, Australia, New Zealand, Malaysia and Thailand will become a viable alternative.

Source: asia.nikkei.com - Jan 30, 2017

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Pakistan: Cotton production to fall further, warns ministry

The Ministry of Textile Industry has predicted decline in cotton production to accelerate, which could compel farmers to shift to other crops if no corrective measures are taken by the provincial governments, officials told Dawn.

The warning has come at a time when the federal government is considering allowing the import of cotton to bridge the shortfall in local production.

Cotton acreage has already shrunk by 22 per cent over the last 10 years because of low yields, according to the ministry. Another major reason behind the downtrend is better returns in growing sugarcane because of policy incentives offered by the government for that crop.

Climate change also has indirectly affected the cotton crop since 2010. Devastating pest attacks have been another factor in declining cotton productivity over the years.

All that resulted in price crash for cotton farmers as they got Rs2,200-2,500 per 40 kilograms against their production cost of Rs3,000.

As the dilemma persisted for many years, the farmers felt compelled to shift to other cash crops, such as sugarcane, rice and maize, which offered better returns.

Official data compiled by the textile industry shows the acreage of maize increased 24pc, rice 7pc and sugarcane 14pc from 2005-06 to 2016-17, mainly because of reduction in cotton area.

A senior official of the textile ministry said low cotton yield had a direct impact on textile and garment exports, 75pc of which are based on cotton. “Any variation cotton yield has a direct impact on exports of textile and clothing,” the official said.

Pakistan aims to cultivate cotton on 3.2 million hectares annually, including 72pc (2.6m) hectares in Punjab, 27pc (600,000) in Sindh and less than 1pc in Khyber Pakhtunkhwa and Balochistan.

Another official of the Ministry of National Food Security and Research said the per-acre yield of cotton has stagnated since 1991, which has left the country with no choice but to import cotton to meet the domestic demand. The only reason for this was non-introduction of new varieties and new technology.

The issue will mostly be now resolved after the promulgation of the much-awaited Plant Breeder’s Rights Act 2016 in December. The law will now encourage the development of new plant varieties and to protect the rights of breeders of new varieties as well. The act will help in establishing a viable seed industry in the country.

Unlike cotton, government’s support to the sugarcane crop has helped increased its cultivation by 14pc. The price of sugar also more than doubled to Rs68 per kg in 2016 from Rs31 in 2005-06. The price of sugar in the domestic market is almost 80pc higher than the international market.

Moreover, the number of sugar mills went up from 56 in 1995-96 to 84 in 2015-16. Of them, 45 mills were in Punjab, 32 in Sindh and eight in KP. Almost 70pc of the country’s sugar mills are located in core cotton zone of the country, especially in Punjab.

Analysts say that this unexplained protection to sugar and unprecedented expansion of sugar industry were posing threat to cotton and other crops.

To look into all these issues, the government has tasked Pakistan Central Cotton Committee to study the sector and come up with some concrete recommendations. The committee has evolved a report and submitted to the textile industry in November 2016.

The report also mentioned the impact of climate change on cotton production. Heavy floods and rain caused a loss of around Rs14.409bn to cotton crop in 2015, according to the report. A similar trend of loss was also seen in the previous years with the worst impact of Rs98.091bn in 2010 due to floods.

In Punjab, the number of sugar mills in cotton-growing areas is rising, posing a threat to cotton output. There are now five sugar mills in Rahim Yar Khan, two in Muzaffargarh, and one each in Bahawalnagar, Khanewal, Rajanpur and Layyah.

As per the law, the provincial government is empowered to issue a no-objection certificate (NOC) for the installation of new sugar mill or enhancing the crushing capacity of the existing mills. The installation of new sugar mills in Mianwali is expected to affect the growing of cotton in the area. The report recommended that provinces should stop the practice of issuing new NOCs or allowing the expansion in the capacity of the existing sugar mills to save previous resources of irrigation water and cultivating cotton, which is a highly valued-added crop.

The KP government should be persuaded to give due emphasis to the development of cotton in the district of Dera Ismail Khan and not issue NOC for new sugar mills or for expansion in crushing capacity of the existing mills, the report said. It was suggested that efforts should be made for reduction of input cost of cotton production. Campaigns may be initiated for the development of cotton with some targeted and result-oriented schemes in KP and Balochistan.

Besides, introducing new technology in seed will also help increase production per unit area and increase profitability. A support price system for cotton crop has also been recommended, as in the case of wheat and sugarcane, to maintain the acreage.

Source: dawn.com- Jan 31, 2017

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Bangladesh aims to grow 10% of cotton usage by 2025

Bangladesh, which grows about 180,000 bales (1 bale=218 kgs) of cotton in a year or 1 per cent of the annual demand, now aims to grow I million cotton bales by 2025.

The country is now the biggest importer of cotton in the world and spends more than $3 billion on cotton imports annually, of which, India meets 50 per cent of the current cotton demand.

Speaking at a press conference, Mehdi Ali, general secretary of Bangladesh Cotton Association (BCA) said, "We have targeted to meet 10 per cent of our yearly demand from domestic cotton production by the end of 2025, by growing 180,000 bales."

According to Ali, most farmers in various districts of Bangladesh have deserted tobacco cultivation in lieu of cotton, as cotton offers them better returns.

He shared the opinion that the Bangladesh cotton industry must stop relying on just one or two countries for cotton imports, as sometimes, there are challenges which importers have to face.

In response, Mohammad Ali Khokon, vice-president of Bangladesh Textile Mills Association (BTMA) informed that cotton imports from African countries have risen significantly in recent times, to reduce dependence on India.

"Bangladeshi spinners and cotton traders are now importing more than two million bales of cotton from various African countries like Burkina Faso, Benin, Chad, Lesotho and Sudan, with USA and Australia also becoming major sourcing destinations" he added.

Source: fibre2fashion.com- Jan 30, 2017

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Visitors up 5.5% at Colombiatex de las Americas

Colombiatex de las Americas, the trade show for fabrics, trimmings, machinery and chemicals, recently organised in Medellin, Colombia, saw 21,924 buyers visiting the show, up 5.5 per cent over the previous edition.

Colombiatex de las Americas hosted 510 exhibitors, mainly coming from Colombia, India, Brazil, Spain, Italy and other countries.

Of overall buyers, there were 1,928 international buyers, 9 per cent more than last year.

The show closed with approximately $326 million in business expectations and an approximate 4 per cent increase over figures of the previous edition.

Of the $326 million, 41 per cent were directed to fabric purchases, 23 per cent in machinery and equipment, 10 per cent in trimmings, 7 per cent in chemical products, 7 per cent in yarns and the rest in other products.

Source: fibre2fashion.com- Jan 30, 2017

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Indonesian exporters delighted over US withdrawal from TPP

The withdrawal of the US from the Trans Pacific Partnership (TPP) trade agreement has delighted the Indonesian textile and apparel exporters, as they will now have a level playing vis-à-vis those countries in the TPP pact.

US President had earlier last week decided to withdraw from the TPP agreement, which offered preferential duty rates to member states.

Indonesia's neighbours like Malaysia and Malaysia used to enjoy a preferential import duty in shipments to the US, on account of being TPP member countries, while Indonesian textiles were subjected to 10 per cent import duty.

A leading Indonesian daily quoted the chairman of Indonesian Textile Association (API) Ade Sudrajat as saying that the decision of the US to withdraw from TPP will benefit the country's textile exports, as the country will now be able to compete at the same price points, as export from other countries to the US.

As against, exporting around 36 per cent of overall Indonesian textile and apparel exports to the US last year, API now expects that figure to rise to 39 per cent or $4.8 billion this year.

Source: fibre2fashion.com- Jan 31, 2017

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China cotton lust spurs fiber's best rally in 6 months

China's voracious demand for cotton is sparking the fiber's best rally in six months. Chinese buyers have committed to purchasing almost five times more American cotton than at this time last year, the US government said in a report this month.

The price of the commodity is heading for its biggest monthly advance since July. Hedge funds are positioned for more gains, holding the second-most bullish wager ever.

American growers, the world's top exporters, are this season expected to ship the most cotton since 2013, data from the US Department of Agriculture show. Sales growth is also being driven by purchases in Indonesia and Vietnam.

While rising demand has sparked two straight years of rallies, futures in New York are still trading about 65 percent below a record set in 2011, leaving the fiber at affordable levels for consumers.

"There seems to be good money interest in cotton," said Arlan Suderman, the chief commodity economist for INTL FCStone Financial Inc. in Kansas City, who's been tracking the markets for more than three decades. "We see it basically continuing in the near term, until we see alternative supplies coming to market. Right now, US cotton is very competitively priced on the global market."

The net-long position in cotton rose 3.2 percent to 87,341 futures and options in the week ended Jan. 24, data published by the US Commodity Futures Trading Commission three days later show. That was just shy of an all-time high of 90,215 contracts set on Jan. 10, according to the figures, which go back to 2006.

Cotton traded on ICE Futures US in New York climbed 2.5 percent last week. Prices were little changed at 74.86 cents a pound on Monday and are up 6 percent this month. Futures touched 75.37 cents on Jan. 5, the highest since August.

Consumption will probably outstrip production by 1.24 million metric tons this year, Cotlook Ltd., a Birkenhead, England-based research company, said last week. That can help to erode global stockpiles, which the USDA estimates at 90.6 million bales, each weighing 480 pounds (218 kilograms).

Demand is also coming at a faster pace this season, which ends July 31. US exporters have already sold 38 percent of expected shipments, topping the five-year average of 32 percent, USDA figures show.

The price gains will likely spur US farmers to increase plantings, especially with futures for competing crops relatively weak. American sowings may rise 7.6 percent this year to about 10.84 million acres, a Bloomberg survey showed. The USDA will release its first estimate during its annual Agricultural Outlook Forum Feb. 23-24.

Global producers are also increasing their harvests, with output expected to rise in Australia, China and India, the top grower.

Cotton has rallied in recent weeks even as commercial traders, including mills and producers, have held a large net-short position, or bets that prices will fall.

As investors added to the bullish holdings, it created a kind of tug-of-war between the two sides. The market’s next move has become a question of “who will blink first” and unwind their positions, Peter Egli, the Chicago-based director of risk management for Plexus Cotton Ltd., said in a report this month.

Some commercial traders have already been forced to cover. They had a net-short position of 182,191 futures and options last week. That compares with a holding of 187,785 in late November, which was the biggest since 2008.

The unwinding of those positions will have a “role” in boosting prices, but that may not be sustainable, said Gillian Rutherford, who helps oversee about $12 billion as a commodities portfolio manager for Pacific Investment Management Co. in Newport Beach, California.

World supplies are still “fundamentally heavy,” Rutherford said. “If China was to significantly increase their imports, or if we were to see wild growth in demand for textiles overall, then you could make the case that we can start drawing on world stockpiles faster than we’ve seen to-date, and that would be constructive” for prices, she said.

“But where we are right now, it’s questionable how long we can stay here without genuinely bullish inputs,” Rutherford said.

Source: emirates-business.ae- Jan 31, 2017

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NATIONAL NEWS

North East textile sector gets Rs 1040 cr for textile, Rs 52k cr for railway projects

The North East textile sector has received Rs 1,040-crore windfall from the Centre for handloom, handicrafts and sericulture, besides other railway and development projects as per the announcement made on the first day of the investors' summit.

Rs 820 cr for sericulture-related projects Union Textiles Minister Smriti Irani, who inaugurated the North East Investors' Summit for textiles in the city on Sunday, also announced Rs 820 crore for sericulture-related projects "which will benefit around 4 lakh families in the North East".

She said Rs 1,040 crore would help state governments generate employment in the sector.

Master craftsmen from the region will be engaged in the National Institute of Fashion Technology across the country to train students, she added. Earlier this month, the Ministry launched a helpline for weavers where they can ask various queries and till date 2,500 queries have been answered.

The Ministry has also come up with a new mobile application called e-Dhaga for handloom weavers who face problems in collecting subsidies from respective agencies. e-Dhaga will also address issues concerning raw materials and delays in supplies.

Minister of State for DoNER Jitendra Singh, who was also present on the occasion, said the Ministry has an annual outlay of Rs 1,000 crore for the handloom projects. The DoNER Ministry will focus on training artisans, creation of market avenues and setting up of raw materials for the benefit of weavers.

Earlier at the summit, which showcased the region as a global destination for investors, Chief Minister Mukul Sangma had stressed on the need for connecting traditional weavers of the region with big business houses and said the State has identified some indigenous fibres for marketing. Besides, the Centre has taken up 20 major railway projects for the North East at a cost of around Rs 52,000 crore to improve infrastructure.

715 development projects

Addressing the gathering at Sunday's summit, Irani said there are around 715 development projects for the region, including tie-ups with countries like Bangladesh, Myanmar and China through economic corridors to ensure that the 'Act East Policy' under the leadership of Prime Minister Narendra Modi fructifies.

'Pivotal role' in Act East Policy

Arvind Panagariya, vice chairman of Niti Aayog who also attended the summit, said opportunities in the North East have multiplied and even Meghalaya has performed "phenomenally well as far as GSDP is concerned". The State's GSDP in 2013-14 was 9.7.

Panagariya said the North East plays a pivotal role in the Act East Policy and even the textile sector has tremendous potential in the region. But the economist pointed out that the region needs larger enterprises which can take advantage of the vast markets in South East Asia.

CM says committed to provide 24×7 power supply

On industries in the State, the Chief Minister said, "Any industry should now look at Meghalaya. Though we have power challenges we have come up with many reforms and we intend to provide 24×7 power supply at an affordable tariff."

Various MoUs between industry bodies and state governments were signed during the summit, which is a two-day event. Buyer-seller meets and exhibitions were also organised at the venue.

Sangma said the two-day summit would provide an opportunity to showcase the talents of the weavers, to inculcate upon themselves the job avenues which ultimately become self-sustainable, adding that the summit will create opportunities for cultivators and weavers.

"We have already explored and identified the potential areas in the State's textile sector, one of which is Ramie cultivation," he said and added that this could be developed to attract investors and bring the State on the frontline.

Irani thanks Secretary of Higher Education

Meanwhile, the minister also expressed her gratefulness to the Secretary of Higher Education who has helped the government leverage its association with IITs so that incubation and especially business opportunities through transmission of technology can be explored.

The minister also appreciated the efforts of designers in the handloom sector and also pointed out to the uniqueness of products available in the North East giving instance of the organic carpet of Sikkim.

Source: theshillongtimes.com- Jan 30, 2017

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Government seeds may take on Monsanto as CICR secures approval for Bt seeds

Next cotton sowing season may bring some tough competition for manufacturers of genetically modified Bt cotton operating through a tie-up with US multinational Monsanto. The company has been dominating cotton farming, which in turn has been at a vulnerable area for Vidarbha's farmers.

Government's Central Institute for Cotton Research (CICR) has secured approval for 3 varieties of indigenous Bt seeds suitable for the northern states. In next fortnight, 4-5 seeds each, suitable for the central and southern states of the country, will be put up for approval, before Indian Council for Agricultural Research (ICAR).

CICR, an agency located in the city, hopes that by next season, 11 Indian Bt seeds will be available in the market at much lower rates. The biggest advantage is that the farmer need not buy a fresh bag of seeds each sowing season.

The seeds can be derived from the previous year's crop itself which is not possible in Monsanto. Each year, bags worth over Rs800 each have to be purchased.

The CICR crop has a shorter duration too, which means the cotton will be ready to harvest by November, reducing cost of maintenance.

"The CICR has developed Bt varieties instead of hybrids like Monsanto using the Mon531. The US company does not have any patent on Mon531. Out of the 20 varieties developed, 11 are expected to be out in the next season," said Dr Keshav Kranthi, the CICR's director. This is expected to change the dynamics of cotton farming. Cotton growers of the region have been vulnerable to losses.

The CICR seeds are an equivalent of the Bollgard, first launched by Monsanto in 2002. Now the US multinational has an advanced version Bollgard-2 on which it has a patent with plans to have Bollgard-3 too.

Kranthi said the CICR Bt will have its own advantage on the basis of which it can be pitched against the current version of Bollgard II seeds by Monsanto.

The Bt seeds are genetically engineered to develop immunity against bollworm a common pest damaging the cotton crop. However, recently Bollgard II's latest version was seen not working against the pink bollworm variety.

Both CICR and Bollgard are effective against the American bollworm, which normally strikes the cotton plant. Due to its shorter duration, the CICR Bt crop is ready before the time the pink bollworm strikes giving a dual advantage, said Kranthi

The crop grown out of the CICR seed is ready in 160 to 170 days as against the gestation ranging from 210 to 240 days in Bollgard. This, apart from skipping the pink bollworm attack, reduces the cost of maintenance due to the shorter term, said Kranthi.

The same seeds derived from the crop can be used for sowing too, which is not possible in Bollgard. In CICR's variety, all the seeds in a cotton boll have the resistant gene due to which it can be reused, said Kranthi.

Source: timesofindia.com – Jan 30, 2017

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Taking organic farming to next level

Telangana State Seed and Organic Certification Authority to improve marketing opportunities for organic produce

Ramana Reddy from Nagarkurnool has adopted organic farming 15 years ago.

His 30 acres include the 10 acres he had sold long ago unable to bear the costs of chemical farming, and bought again after he started making profits from organic farming.

"In the year 2000, I had grown 200 quintals of cotton, and after the costs of pesticides and chemical fertilisers, I was left with ₹11 in my hands," he recalled.

With advice from friends and officials, he took to organic farming, and now he grows paddy, cotton, and chillies, all in organic way.

He has not even opted for BT Cotton, yet reaps 180 to 200 quintals of it, besides 25 to 30 quintals of chillies.

Success story

"I had sold my 10 acres for ₹95,000 in total. Now, I bought them back spending ₹35 lakh. Farmers and scientists from other states come to study my methods," he announced proudly at the inauguration of the Telangana State Seed and Organic Certification Authority here. He expects the certification facility to improve the marketing opportunities for his cotton.

Requires patience

However, not everyone has such success stories. Rajyalakshmi and Sudha, growing mangoes in Keesara and Medchal respectively, are still struggling with farming sans chemicals. Venkat Reddy, another farmer from Nizamabad has not ventured to extend his experiment with organic farming beyond one acre, despite good results.

Agriculture Minister Pocharam Srinivas Reddy urged the farmers not to get discouraged, as it requires patience to master organic farming.

National mission

Telangana State Government intends to gradually veer the farmers towards organic farming without it having adverse effect on foodgrain production. Centre too is taking initiatives through its 'Paramparagat Krishi Vikas Yojna'.

"Marketing and export opportunities will increase with the organic certification. Public health too will improve. Telangana is only second in the whole country in use of chemical fertilisers and pesticides, which increases diseases," Mr.Reddy said, after inaugurating the facility.

Secretary Agriculture C.Parthasarathi noted that organic farming is a comprehensive set of agricultural management systems, and not mere use of natural products. It involves treating the soil like a living being.

Certifying laboratories

He informed that the organic produce will be tested at any of the four NABL labs in the state, before being certified.

Noting that the world has about 350 lakh hectares of organic agriculture, of which 3.4 lakh hectares are in India, Mr. Parthasarathi said Centre and State governments are making joint efforts towards encouraging organic farming.

Director of the Authority K. Keshavulu said there were three attempts earlier to set up the authority, and that APEDA approval is expected for the newly established certifying agency.

Source: thehindu.com- Jan 30, 2017

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Budget 2017: Outlay for labour-intensive textiles sector set to jump

As the government increases focus on labour-intensive sectors, the textile ministry will likely see a 35-40% jump in fund allocation in the coming Budget from the budgeted level of 2016-17, bucking the trend of modest hikes in recent years.

The ministry may be allocated Rs 6,200-6,500 crore in the coming Budget, compared with the Rs 4,595 crore budgeted for 2016-17, sources told FE. It could get more funds to settle both old and new claims under the latest and previous versions of the Technology Upgradation Fund Scheme (TUFS) and to cater for refund claims under the new duty drawback scheme announced as part of a special package for the garments industry in June last year, the sources added. In fact, these two crucial schemes could account for more than a half of the ministry's likely budgetary allocation in 2017-18.

The budgetary allocation for the amended TUFS (ATUFS) could be raised to at least Rs 2,000 crore in 2017-18, as the Rs 1,480 crore earmarked for the scheme in the 2016-17 Budget proved to be grossly inadequate. Similarly, if the textile ministry's estimate of annual outgo on account of refunds of various state levies to garment exporters under the duty drawback scheme is any indication, the budget for 2017-18 could provide over Rs 1,500 crore for it.

The ministry has been provided Rs 500 crore for 2016-17 to settle duty drawback claims since the scheme was notified in September last year.

The annual rise in budgetary allocation for the ministry has been marginal in recent years, and in 2013-14, it even witnessed a cut in outlay from a year before. The ministry was even pulled up by a parliamentary standing committee in 2015 for slow spending in previous years. However, the panel observed that the ministry, of late, had improved its pace of expenditure.

The textile and the garment sector assumes importance as it employs close to 32 million people, having become the largest employer after agriculture. Noted textiles expert DK Nair said, "A significant increase in allocation for the textile ministry will improve the implementation of some of the schemes that are not yielding the desired results at the moment due to inadequate funds."

In 2015-16, the industry had made representations to the ministry, saying TUFS claims worth R3,000 crore were pending for more than three years against investments made during the so-called blackout period (June 20, 2010 to April 27, 2011) as well as errors in reporting of the dole-out amount by banks to the textile commissioner.

The blackout period refers to the time when the government had stopped fresh sanctions of projects under the TUFS, seeking to change the contours of the scheme from an open-ended scheme to a closed-ended one, and launched the revised scheme only from April 2011.

Government officials have said textile mills, which sought subsidy against investments made under the TUFS during the blackout period, won't be provided any such support. Such subsidy claims are to the tune of R1,000-1,200 crore, according to an industry estimate. However, those who have lost out due to mis-reporting by banks may get the subsidy benefits.

The TUFS was introduced in 1999 to make available funds to the textile industry for upgrading technology at existing units as well as to set up new units with state-of-the-art facilities so that its viability and competitiveness in the domestic and international markets soar.

Last year, the cabinet committee on economic affairs decided to refund the state levies under the duty drawback scheme. The government expected the move to raise exports by $9.5 billion, employment by close to a million and investment by $2.7 billion over a three-year period.

Source: financialexpress.com– Jan 31, 2017

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Aditya Birla Nuvo to be merged with Grasim

Kumara Mangalam Birla led Aditya Birla Group is merging Aditya Birla Nuvo Ltd into Grasim Industries Ltd, in a bid to unlock shareholder value.

This merger will create an entity with Rs 60,000 crore in annual revenue.

The merger was approved by the board of both, Aditya Birla Nuvo and Grasim Industries, at their respective board meetings.

Aditya Birla Nuvo has in its portfolio, financial services, textiles, telecom and insulators. Among textiles, Nuvo has in its fold Jaya Shree Textiles, the biggest linen producer in India and Indian Rayon, the biggest manufacturer of exporter of viscose filament yarn.

While Grasim apart from the cement division, also has in its fold the viscose staple fibre division in Birla Cellulose, a manufacturer and exporter of value added fibres like viscose, modal, etc.

"The new entity will have a mixture of mature and new-age businesses with steady cash flows, which is one of the primary objectives of the merger," Kumar Mangalam Birla said while announcing the merger.

Source: fibre2fashion.com - Jan 31, 2017

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Meghalaya's first ever apparel and garment Centre inaugurated at Ampati

The Union Textiles Minister Smt. Smriti Zubin Irani, along with Chief Minister of Meghalaya Dr. Mukul Sangma, inaugurated the first ever Apparel and Garment Making Centre in Meghalaya, near Ampati in South West Garo Hills today, in the presence of Union Minister of State for Home Affairs, Shri Kiren Rijiju.

Dedicating the centre to the people of Ampati in particular and to the state as a whole, Smt. Irani said that the project was testimony to the true convergence of efforts of Central and State Governments.

She said that the Apparel Centre will create employment opportunities for both men and women of the region, thereby empowering them economically.

Union Ministry of Textiles is implementing projects worth Rs. 70 crore in sericulture and weaving sectors for Meghalaya alone. The Textiles Minister said that around Rs. 32 crore has already been sanctioned for the state of Meghalaya, for promotion of handlooms. She appealed to the youngsters, particularly women, to leverage their handloom legacy and become enterprising entrepreneurs.

As the region is well-known for regional dyes, Smt. Irani urged upon the weavers of the state to register with India Handloom Brand, which she said can directly connect the weavers with big multinational companies. The Union Minister said that once the centre starts functioning to its full potential, it will give an indication to investors across the country that the youth of the region are ready for economic engagement and expansion.

The sprawling Apparel and Garment Making Centre, covering an area of 45,000 sq. ft, has been set up at Hatisil near Ampati, at a cost of approximately Rs. 14.26 crore, under the North East Region Textiles Promotion Scheme (NERTPS) of the Ministry of Textiles.

The centre has three units, two of them housing 105 sewing machines each, and the third one having seventy machines. The foundation stone for this centre was laid in 2015 by the Chief Minister of Meghalaya, in the presence of the then Union Textiles Minister. Its construction was completed by NBCC, in a record time of less than two years.

Speaking on the occasion, Chief Minister Dr. Mukul Sangma expressed his gratitude to the people of the region, for creating a conducive atmosphere and enabling completion of the huge infrastructure before timeline, without cost overruns.

He expressed confidence that the garment centre at Hatisil would grow to become the most sought-after export unit in the state. He spoke of the advantage provided by the availability of international market in neighbouring Bangladesh, and the opportunity it offers in forging business partnerships with investors of Bangladesh.

Stating that the weavers of the region are a ready workforce and that they only require advanced training, he highlighted the importance of providing training for their technological up-gradation.

Union Minister of State for Home Affairs, Shri Kiren Rijiju said that the Centre has given special focus to Meghalaya, particularly Garo Hills, in creating job-oriented programmes. He added that there could not be a better programme for women than this, for promotion of textiles and handlooms in the state. Dwelling on the huge potential of the region, he said there was a need to create industries and employment opportunities to harness the potential of sectors such as like sericulture and weaving.

Minister for Sericulture and Weaving, Government of Meghalaya, Clement Marak; Minister for Sports and Youth Affairs, Government of Meghalaya, Zenith Sangma and several other dignitaries and officials from both Central and State governments were present on the occasion. The inaugural programme was also attended by hundreds of weavers from various parts of the region.

Source: business-standard.com- Jan 30, 2017

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India Gets Respite After Trump Abandons TPP

When President Donald Trump abandoned the Trans Pacific Partnership (TPP) Deal, there was a sense of relief in India, where sectors such as apparel and pharmaceuticals were bracing for a hit.

The ambitious pact between 12 countries bordering the Asia Pacific to boost trade had been a "serious worry" for Sudhir Dhingra, Managing Director of New Delhi-based Orient Craft, one of India's biggest apparel exporters.

India is happy to see TPP go away

The reason: it would have made India's exports less competitive as it slashed tariffs and gave countries like Vietnam and Malaysia preferential access to markets in the United States and Japan.

Dhingra calls its scrapping very good news.

"I personally was very concerned for the trade," he explains. "As it is, parts of those region are more productive, more efficient. And on top of that if you get duty free advantages, so obviously the entire business runs to these markets."

Huge apparels industry in India

India's garment and textiles sector employs millions of people and about 20 percent of apparel exports are headed to the United States.

The apparel industry was not the only one threatened by TPP. India's Commerce Minister, Nirmala Sitharaman had said that the pact would impact a range of sectors like leather goods, plastics, chemicals and textiles.

Effectively, the TPP meant that India would have been sidelined from a mega trade agreement which covered about 40 percent of global trade.

Estimates for export losses that India would have eventually suffered have varied widely. The Peterson Institute for International Economics said India's losses would approach $50 billion per annum if China and other countries joined the pact at a later stage. Others said it would be far less.

But with losses being a near certainty, the scrapping of the TPP gives India respite, said Biswajit Dhar, trade expert and professor at New Delhi's Jawaharlal Nehru University.

"There might be a sense of relief because TPP was threatening to introduce standards for trade liberalization and introduction of new rules which were far more stringent than those that India is comfortable with," he said.

The TPP involved setting strict labor and environment regulations and higher intellectual property rights protection.

Regional deals

The end of TPP is now likely to turn the focus to regional agreements – one of them could be the Regional Comprehensive Economic Partnership (RCEP) – a bloc which includes India and China and accounts for nearly half the world's population.

Many expect that China will step in to fill the gap left by the United States as new trade deals are hammered out. Some say that will be a relief for India as China is unlikely to set the same kind of standards as the one that were envisaged for the TPP.

However, many others feel that may not be any more comforting for India because it would also mean that India would have to open its markets to China.

China's influence

“Even without preferential access, China has managed to put its footprint in the Indian economy quite substantially,” pointed out trade expert Dhar. “So the worry among Indian business people is that if China is given preferential market access, then there would be a real problem that they will have on their hands.”

India, long known for its tough business climate, complicated rules that deter investment, high taxes and stringent labor laws, has not benefited from the manufacturing boom that transformed many Asian economies in recent decades.

Efforts to give a lift to manufacturing under a flagship program of Prime Minister Narendra Modi called “Make in India” has yet to have a significant impact.

Uncertain economic future

Trade experts warn with the scrapping of the TPP and more talk of protectionism by the United States, the future of global trade has become uncertain. “I don’t think we should cheer”, said Arpita Mukherjee, a Professor at the Indian Council for Research on International Economic Relations. “He (Trump) is also saying Make in America. It is an unknown scenario, so you should be worried.”

Experts are calling on India to implement reforms to make its industries globally competitive. “You have to offer ease of doing business, and once you do that, you will benefit by any trade agreement,” she said.

Still with the looming threat of TPP off his mind, apparel exporter Dhingra remains optimistic. He and others feel it will give India breathing room as the government presses ahead with promised reforms which Modi has promised.

Dhingra said different states in the country have been wooing businesses like his in the past year offering subsidies and other incentives that could help him become more competitive.

“There is not a week that I don’t get a call from some state government or the other where they want Orient Craft to set up factories there. They are willing to give support, they are willing to give subsidies. This is something I have not seen in the past 40 years,” he said.

Source: voanews.com- Jan 30, 2017

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After US exits TPP, no immediate impact on India, but China may pressure PM Narendra Modi to complete RCEP talks

The strategic implication of the withering away of the planned Trans Pacific Partnership (TPP) agreement could be India coming under pressure from China to ensure an early conclusion of the Regional Comprehensive Economic Partnership (RCEP) agreement negotiations.

India may be urged to hasten the process of firming up its market access commitments in RCEP negotiations, as the country, along with Indonesia, struggled to meet the standards of other negotiating partners.

Progress in the RCEP negotiations has happened at a snail’s pace since it was officially launched in November 2012 and many blame it on India, as New Delhi has treaded cautiously in opening its economy further to China, with which it has record levels of deficit in goods trade — more than $52,696 million in 2015-16.

Indian industry is also wary of giving increased market access to China without careful consideration.

Recently, the domestic steel industry bore the brunt of the influx of cheaper steel imports from China, which virtually forced smaller players to exit business.

The threat of Chinese goods flooding the Indian market is evident from the fact that India resorted to imposing a number of WTO-compliant trade defence measures on China.

As on December 31, 2016, India imposed 87 anti-dumping measures on China compared with China imposing less than 10 anti-dumping measures on India. Dubbed as former US President Barack Obama’s signature trade deal, the TPP reflected a US “pivot to Asia” in an apparent counter to China’s increasing diplomatic and commercial power across the globe. China will be quick to step into to any vacant space left by the US withdrawal, US Republican senator John McCain warned earlier.

The demise of the TPP agreement however would not make much of a difference to India’s trade and investment prospects. Avijit Das, head, Centre for WTO Studies, IIFT, pointed out that a study conducted by the US think-tank Peterson Institute for International Economics (PIIE) concluded that impact on India’s trade and investments due to an operational TPP is virtually nil.

He said that the US may pursue bilateral trade negotiations with the individual TPP member countries to extract more concessions from them. There is also a possibility of emergence of a multilateral deal on the WTO platform in future, particularly in the area of electronic commerce among the erstwhile TPP member countries, he added.

Japanese Prime Minister Shinzo Abe asserted that TPP minus the US is as good as dead. Global trade dynamics will definitely see some alteration with the TPP now gone.

Biswajit Dhar, a senior trade economist, suggest the spotlight may be now on the RCEP negotiations and pressure may build up on India to accede to higher market access requests from the RCEP partner countries.

Also, RCEP member nations Japan, Australia and New Zealand, who were part of the now abandoned TPP, may support China’s stand.

This might be a logical next step for these countries in the light of the fact that global trade has been slack for quite some time now and further liberalisation is imperative for them to lift trade levels and perhaps put some check on protectionism in global trade.

Again, according to news reports, bilateral FTAs of India with countries like Japan and South Korea have not yield much in terms of growth in trade volumes.

In 2015-16, India's trade deficit in goods with South Korea stood at $9524.48 million, and with Japan it was $5187.55 million. This will desist India from giving further concessions to these countries.

Additionally, Japan and South Korea have also been taking a tough stance on intellectual property issues in the RCEP negotiations.

Source: financialexpress.com- Jan 31, 2017

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Cotton farmers counting the losses

The shift has made a difference in the productivity, depending on the water availability, some argue. They say the crop is protected against the boll-worms, allowing it to grow its normal growth. Subsequently, yields increased from 2-5 quintals per hectare in the pre-Bt era, to 6-12 quintals per hectare.

Over the years, farmers like Patel across the country have chosen Bt-seed for a better crop. Gujarat was among the first to take up hybrid technology for cotton cultivation much before the introduction by Monsanto's seeds. Initially, the H4 variety, named Sankar-4 variety picked up but it faced issues of unopened bolls, which was overcome in Sankar-6 variety, which is widely used at present.

Despite the progress, the yield have stagnated for over a decade. An increase in pest attacks, and thus the production costs, have been a major problem plaguing the growers in recent years.

Cotton production which touched a record of over four crore bales in 2013-14, fell to 386 lakh bales in 2014-15 and declined further to 338 lakh bales in 2015-16, the lowest in last five years. The drastic drop during 2015-16 was mainly due to the white-fly attack.

The gains — mainly the yield advantage and the drop in spends on insecticides/pesticides —that the average Indian cotton grower saw with the introduction of the genetically modified or Bt cotton since 2002-03 are on the decline. This is mainly on two counts. Firstly, the current generation of Bt cotton - Bollgard II - introduced in 2009, has started weakening against the mence of pink boll-worm.

Secondly, over the last two years a new class of insects, called the sucking pests have emerged; this year they were found in Maharashtra. As a result, the farmers' spend on pesticides that had come down with the advent of Bt cotton, is again increasing. The escalating costs have squeezed the margins. Pressure is mounting on farmers. Latest figures released by the National Crimes Records Bureau says that about 88 per cent of the suicides committed by farmers in 2015 happened in the seven states that grow cotton intensely (see box below).

The pink menace

"We thought the Bt technology would save our crop from worm attack. It did for a few years, but the problem continues to persist and the yield is falling with every passing year," Patel says.

The pink boll-worm, the worst nightmare for a cotton grower in the country, has made a comeback with an vengeance as it has been increasingly developing resistance to the Bt gene. Across the cotton-growing states including Karnataka, Andhra Pradesh and Telangana, reports of outbreak of pink boll-worm have surfaced this kharif season.

"The repeated outbreaks over the last two years shows that technology is not working," says S Ramaswami, Chairman and Managing Director of Rasi Seeds, one of the leading companies in the domestic seeds market. "However it is controllable, provided farmers use pesticides regularly," Ramaswamy adds.

White fly attack that caused significant losses to cotton growers in Punjab in the last two seasons had also become a menace for farmers in

Maharashtra, though the intensity of the pest attack was not that severe as witnessed in the northern state.

"I had to take up at least four additional sprays to keep the white fly under check this year," says Champatrao Shinde, a farmer in Kharangana Gode village near Wardha in Maharashtra’s Vidharbha region. A round of insecticide spray would add costs by ₹1,000 per acre.

"Also, the rains this year, though timely, led to an increase in weeds, for which I had to incur an additional cost to remove them," Shinde adds. As a result, the cost of cultivation has gone up from around ₹16-18,000 per acre to around ₹22,000.

Though higher prices this year have helped him absorb the rise in costs, he is unsure about a repeat in the next season.

Pricing cap

The seeds industry are also apprehensive of its future after the Government recently capped prices of Bt cotton seeds. While in the recent planting season the price control order had little impact given the excess supply, the breeders and seed companies were forced to offer discounts to the farmers. Nevertheless, the cap is a setback for many in the seeds industry.

Technology developers in the agri-biotech space say the move will hurt investments in research and development. This may have a major implication on the new products that are in the pipeline.

Immediately after the Government's move, Monsanto, through its local partner and investee company Mahyco pulled out the Bollgard II RRF — its next product in India for which it was seeking regulatory approval. Going a step ahead, Monsanto also threatened to pull out of the country.

Incidentally, Bayer acquisition of Monsanto in a $66-billion all-cash deal has triggered consolidation in the global agri-input space. Post merger, the consolidated entity would command 70 per cent of the cotton acreages in the US and in many other countries including India. Besides these developments, the uncertainty over commercialisation of the GM crops in the country continues.

This development clouds the prospects of cotton farmers looking for better and stronger seeds to withstand pest attacks. Otherwise, any new cotton seed could best be a variant of existing hybrids/technologies.

"Availability of a new technology in current scenario is very rare. There is no new technology in the pipeline. Unless new technology hits the markets, farmers have no option but to make do with the sprays for controlling the pink boll-worm," says Rasi's Ramaswamy.

A breakdown might make it impossible to counter the boll-worm. "We are heading there in another two-three years," Ramaswamy warns while visualising the scenario of the pre-Bt days, when farmers needed up to 25 rounds of spraying to protect their crop. "The new products in the near-term would be mainly from better breeding efforts," said Bharat Char, Technology Lead at Mahyco.

Alternatives

In the absence of a new technology, the domestic industry might have to depend on the three alternatives that are emerging. The three include one each from public, private and non-governmental sectors. While the GM varieties developed by the Nagpur-based CICR (Central Institute for Cotton Research) are ready for use by farmers, some NGOs are holding the fort with the *desi* varieties.

The CICR is using the first generation GM technology in lanky *desi* varieties and is looking to promote the concept of high density plantation as against the relatively spacious planting in the hybrid model (hybrid plants require more space). CICR had taken up multi-location trials of the Bt varieties across the country and plans to select the varieties specific to the region.

CICR Director Keshav Kranti said the seed will help the farmers reduce the duration of the crop, drastically reducing the pressure on scare moisture in the rain-fed areas. Even if the yield reduces by a few bolls per plant, the losses could be made up as the farmers could plant more plants per unit of land.

“The cotton seeds developed by the CICR should be ready for use by farmers. However, the quantity could be small as it is the first year.

Multiplication would happen for the following year," said Rajesh Kumar Singh, Joint Secretary, Union Ministry of Agriculture and Farmers Welfare.
The Hyderabad-based Centre for Sustainable Agriculture (CSA) is experimenting with *desi* varieties. It has teamed up with small farmers in Telangana's Adilabad, Warangal and Wardha districts, covering an area of 200 acres.

"We also follow the high density method. What we have observed is that hybrid cotton, suitable only for irrigated areas, is being grown in rain-fed areas that are suitable for the d*esi* varieties. The cost of production comes down significantly as usage of inputs is reduced," said G Ramanjaneyulu, Chief Executive Officer of CSA. CICR is also trying to promote some of its *desi* varieties like the short-stapled Phule Dhanwantri.

Though this variety is seen to be resistant to pests like pink boll-worm, the yields are relatively lower to the Bt counterparts, besides having higher picking costs. While this makes *desi* seeds unpopular with farmers, CICR's Kranthi is bullish on the native option.

"The experience with the *desi* seed has been fairly good and that is the reason we expect higher sowing next year," added Rathi.

There have been calls to revive a shelved joint research project to develop a GM variety. While its future is still unknown, some firms have begun their own research initiatives. Nuziveedu Seeds (NSL), a top seller of BG-II seeds, is one among them. "Yes, we are developing one technology," said Chairman and Managing Director M Prabhakara Rao. The company is in the process of seeking regulatory nod for the trials.

In fact, the private initiative dates back to 2004 when the NBRI (National Botanical Research Institute) gave a licence to Swarna Bharat Biotechnics, a consortium of private seed firms. The two genes derived from (Bt) protects cotton against boll-worm and tobacco caterpillar. If the research schedule goes as planned, the NSL technology will take at least two years for use by farmers.

Besides, Rasi Seeds is also working on a new transgenic technology for cotton. Another transgenic technology for cotton has been developed by Delhi University's Deepak Pental, who had also developed a transgenic mustard that's currently before the Government for approval.

These efforts will have to be hastened to rescue the country's cotton farmers faced as they are with unending hardships.

Source: thehindubusinessline.com- Jan 31, 2017

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Trade pact: India, Sri Lanka to iron out differences in services, rules of origin

India is trying to fast-track negotiations on the proposed Economic Technology Cooperation Agreement (ECTA) with Sri Lanka, which would result in an expansion of the existing free trade pact in goods and also include services and investments, by striking a balance between services and goods. With China, too, seeking to conclude a similar economic pact with Sri Lanka this year, New Delhi is eager to ensure that it doesn't fall behind, a government official told *BusinessLine*.

"India and Sri Lanka had initially resolved to conclude the pact by the end of the last calendar year but couldn't do so due to some niggling issues in services and rules of origin. The third negotiating round in Colombo earlier this month was encouraging and we hope to take it forward in March in New Delhi and conclude the talks soon," the official said.

New Delhi is keen to enter the services sector in Sri Lanka, but there are apprehensions in the country that the strong Indian companies could uproot local businesses. "We understand Sri Lanka's concerns, but services remain our strong area. That is why we are trying to reach an agreement on areas within services, like IT or ship building, where Sri Lanka needs service professionals and India would not be disrupting anything," the official said.

Flexi rules

Sri Lanka also wants more flexible rules of origin — the rules which determine to what extent a partner country needs to add value to imported inputs for it to qualify as originating from that country.

While China's efforts to conclude a free trade pact with Sri Lanka has put India on its toes, New Delhi has been assured that it would not be discriminated against.

"Sri Lanka has assured that its pact with China will in no way affect the country's strategic and economic ties with India," the official said.

India and Sri Lanka signed their free trade agreement in goods way back in 1998, which resulted in higher imports from Sri Lanka in the initial years, with India catching up later and the country also benefiting on the investments front.

"Although there was no provision of investments in the FTA, India became largest sources of FDI into Sri Lanka because of the linkage between goods and investments. Indian companies, taking advantage of the free trade regime and the literate work force started investing in the country," pointed out Ram Upendra Das from Delhi-based think-tank RIS, which played an instrumental role in signing of the initial FTA.

Das said that even services, for instance tourism in both countries, has flourished in the absence of an agreement in the area. "A wider pact encompassing both services and investments will give a further boost to bilateral economic relations," Das said.

India's exports to Sri Lanka amounted to $5.3 billion in 2015-17 whereas its imports from the country were at $743 million.

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