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NEWS CLIPPINGS –13-12-2017

Cotton output seen at 377 lakh bales	Business Line http://www.thehindubusinessline.com/todays-paper/tp-agri-biz-and-commodity/cotton-output-seen-at-377-lakh-bales/article9991008.ece

The Cotton Advisory Board (CAB) has estimated the fibre's output to increase by 9 per cent to 377 lakh bales (of 170 kg each) despite lower production in Maharashtra and Madhya Pradesh. The output in the northern region is expected to increase 28 per cent to 59 lakh bales (46 lb) on the back of a bumper crop in Rajasthan and Punjab, which is pegged at 22 lb (16 lb) and 12 lb (9 lb).

Though the output in the southern region is slated to go up to 104 lb from 90 lb, it may come under revision due to the pest attack in Telangana and Tamil Nadu, said Kavita Gupta, Textile Commissioner, who headed the first CAB meeting for the current season on Tuesday.

Acreage

The area under cotton cultivation has gone up 19 per cent to 122 lakh hectares (108 lakh hectares). With a lower import estimate of 17 lb (31 lb) and opening stock of 48 lb (36 lb), the overall supply is put at 442 lb (412 lb).

On the demand side, mill consumption is estimated to be higher at 288 lb (263 lb) – consumption by the small-scale and non-textile industry may increase to 27 lb (26 lb) and 19 lb (17 lb). Exports are slated to increase to 67 lb (58 lb) as Pakistan is expected to import from India, said Gupta. Though there were pest attacks in Gujarat, the impact was contained as the farmers adopted the best practices suggested by the Central Institute of Cotton Research. However, Maharashtra suffered the worst pest attack, especially in Yavatmal and Jalgaon. Other States that were hit are Karnataka, Telangana and Madhya Pradesh. On the sharp fall in cotton prices, Gupta said the Cotton Corporation of India has procured 3.5 lb of cotton worth Rs. 688 crore at a minimum support price of Rs. 4,320 a quintal. However, CCI's intervention from now on will be limited as prices are expected to stabilise above the MSP, she said.

‘Cotton production may climb this season’	**The Hindu** http://www.thehindu.com/todays-paper/tp-business/cotton-production-may-climb-this-season/article21569500.ece

Textile mills may need 315 lakh bales

The Cotton Advisory Board, which met in Mumbai on Tuesday, said it expected cotton output to rise by almost 9% this season (October 2017 to September 2018). Last year’s production was estimated to be 345 lakh bales, which is expected to climb to 377 lakh bales this year. Imports last season stood at 30.94 lakh bales, which would likely drop to about 17 lakh bales this year.

Demand from mills

Consumption by textile mills and exports is expected to increase. Demand from textile mills is likely to be 315 lakh bales this season as against 288.86 lakh bales last season, while exports might go up to 67 lakh bales as against 58.21 lakh bales last season. Production is expected to be higher in Punjab, Haryana, Gujarat, Telangana and Andhra Pradesh. According to industry sources, cotton exports to Pakistan might be higher this year. Further, consumption by domestic textile mills will increase provided export of yarn and fabric picks up.

Govt increases MEIS by 2%, manmade-fibre industry disappointed	**Business Standard** http://www.business-standard.com/article/economy-policy/govt-increases-meis-by-2-manmade-fibre-industry-disappointed-117121200930_1.html

Cotton textile exporters have welcomed the government’s decision to raise the Merchandise Exports from India Scheme (MEIS) by 2 per cent on labour intensive sectors.

While announcing the mid-term review of the Foreign Trade Policy 2015-20, the government on Tuesday increased MEIS by 2 per cent on all exportable goods including textile products.

Ujwal Lahoti, chairman of The Cotton Textiles Export Promotion Council (Texprocil) said, “The Mid Term Review of Foreign Trade is progressive, growth oriented. The government has recognised the urgent need to address the challenges being faced by the exporters on account of the roll out of the goods and services tax (GST) regime by focusing on reducing procedural burden”.

Earlier the MEIS rates for garments and made ups were increased from 2 per cent to 4 per cent. With current increase, the MEIS has gone upto 6 per cent. The government also raised MEIS on cotton shopping bags to 5 per cent from the level of 3 per cent earlier.

However, cotton textile exporters urged the government to include cotton yarn under MEIS and extend 3 per cent Interest Equalisation Scheme to merchant exporters. Exporters have also urged the government to cover fabrics under rebate of state levies (RoSL) and increase MEIS rates for fabrics to allow domestic procurements against Export Promotion Capital Goods (EPCG) Authorizations and Advance Authorisations without payment of GST for export production.

"The enhanced MEIS rates will provide the much needed relief to exporters and will certainly have a positive impact on the overall exports especially of textile products," Lahoti said and added, "The increase in the validity of duty credit scrips issued under the MEIS from 18 months to 24 months will increase the utility of such scrips."

Meanwhile, the policy has disappointed manmade fibre segment. Srinarain Aggarwal, Chairman of The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) said that although the mid-term review had addressed a host of the issues from GST to 'Ease of Trading' across borders, it has grossly overlooked the manmade fibre segment of the country that has been reeling under GST with asymmetrical input taxes and inverted duty structure, besides facing fierce competition in overseas markets.

SRTEPC had sent various representations to the Ministry of Textiles and Ministry of Commerce and Industry, with request to increase MEIS rates on all the fabrics, made-ups and yarns of manmade fibres. Recently, it had sent a list of 167 MMF items in these categories to the Ministry of Commerce and Industry requesting to increase the MEIS rates.

However, the mid-term policy review covers only seven fabrics and four made-up items which is a total disappointment for the manmade fibre textile segment of the country. According to the review statement to increase 2 per cent MEIS rates across the board for labour intensive MSME sectors leading to additional annual incentive of Rs 4,567 crore, the Council expects that the Government may shortly come out with another list of items with revised MEIS rates, Aggarwal said.

Garment imports increase after GST	**The Hindu** http://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/garment-imports-increase-after-gst/article21569991.ece

Imports of knitted and woven garments by India from Bangladesh have increased 56% during July-November this year compared to the same period last year. According to data released by Bangladesh Export Promotion Bureau, India's import of garments from Bangladesh was worth 87.4 million $ during July - November this year as against 55.92 million $ for the same period last year. Imports of knitted garments increased by 69 % and that of woven apparel by 51 %. Sanjay Kumar Jain, chairman of Confederation of Indian Textile Industry, has said in a press release that before implementation of Goods and Services Tax, garments imported from Bangladesh attracted levies such as Countervailing Duty and education cess. If the MRP was Rs. 999 a piece, the levies added up to Rs. 77 a piece. If the MRP was Rs. 1,500, the levies came up to Rs. 116. However, after GST, the basic customs duty on the garments is exempted and imports cost less now. Hence, the Indian garment producers face competition from countries such as Bangladesh in the domestic market too.

Mr. Jain appealed to the Union Government to impose safeguard measures such as Rules of Origin, yarn and fabric Forward Rules on countries such as Sri Lanka and Bangladesh that have free trade agreements with India. This will ensure that garments from China do not get into Indian market through these countries. Imports might increase in the coming days if more Indian brands start sourcing from duty free, low cost countries, he said.

FinMin picks holes in input tax credit claims under GST	**Business Line** http://www.thehindubusinessline.com/todays-paper/tp-news/finmin-picks-holes-in-input-tax-credit-claims-under-gst/article9991043.ece

It's official now. The Finance Ministry has concluded that several businesses have claimed high transitional input tax credit under the GST regime without any bonafide explanation to back such claims. The Revenue Department has, therefore, given an opportunity for those taxpayers who have claimed transitional credit erroneously to revise their Form TRAN-1(form for availing transitional input tax credit) by December 27.

Failure to revise TRAN-1 by December 27 would “constrain” the tax administration to initiate audit and enforcement action against the identified unit, an official release said. “Analysis to identify such units is underway. Such behaviour leads to breach of trust between the taxpayer and the tax administration, which is the bedrock of self-assessment regime in GST,” the Finance Ministry said.

It may be recalled that the Central Board of Excise and Customs (CBEC) had three months ago asked its chief commissioners to specifically verify claims of input tax credit of more than Rs. 1 crore in a time-bound manner.

The last date for filing of Form TRAN-1 is December 27.

The Finance Ministry on Tuesday said that some taxpayers have availed “extraordinarily high transitional credit” of Central GST which is neither commensurate with the trend of input tax credit of the industry nor as maintained by the taxpayer himself in the past. Some of these high transitional credits may have a bonafide explanation or may be a case of bonafide mistake. However, it has been noted that high transitional credit has been claimed in many cases for which perhaps no bonafide explanation exists, the Revenue Department said.

Transition to GST provided for trust-based transition of input tax credit of existing taxpayers. A tax payer could file Form TRAN-1 and avail input tax credit on the basis of closing balance of the input tax credit declared in the last return under the pre-GST regime.

MS Mani, Partner GST, Deloitte India, said: “Since high transition credit claims would effectively reduce the tax collections for the current fiscal, the tax authorities would be scrutinising all large claims carefully to ensure that only genuine claims are allowed”. Pratik Jain, Leader-Indirect Tax, PwC, said the quantum of opening credit claimed has been a concern for the Government. Therefore, the Government has nudged businesses to carefully look at their claims and revise it if needed. “Large claims would most likely be scrutinised by the authorities in next few months,” he said.

GST’s reverse charge mechanism: Cotton millers to go on strike	**New Indian Express** http://www.newindianexpress.com/states/telangana/2017/dec/13/gsts-reverse-charge-mechanism-cotton-millers-to-go-on-strike-1725828.html

Cotton mill owners in Telangana will take part in a nationwide strike on December 15 to protest against the Reverse Charge Mechanism (RCM) in the Goods and Services Tax (GST) regime. The mill owners said their working capital has slumped after paying 5 per cent GST on cotton paid through RCM. The millers threatened to go on an indefinite strike from December 22 if the tax on cotton is not revoked at the next GST council meeting on December 21.

“Earlier cotton, chilli, turmeric powder, and few other items were taxed at 5 per cent GST. Later, the tax was revoked but the last GST council in November reintroduced the 5 per cent GST again but only for cotton,” said B Ravinder Reddy, president, Telangana Cotton Millers and Traders Association.

The millers then reached out to the state finance minister Etela Rajender who assured them that the issue would be taken up in the next GST council meeting on December 21. Under the RCM, any GST-registered-trader buying cotton from an unregistered trader or agriculturist will have to bear the GST on it. The registered trader can claim back the GST paid at the next level of their trade as input tax credit.

For cotton millers, the next level of trade would be with the exporters. But they only bill 0.01 per cent GST and the rest 4.99 per cent GST is returned only after the exporter files their GST returns and gets back their input tax. “This could take even five months and in that meantime, our working capital is blocked,” said Reddy. “We are ready to pay the tax but they are asking us to pay GST through RCM before we complete our business transactions.

Some say its just 5 per cent GST. What is the big deal? A mill on an average produces 200 bales of cotton per day per mill that fetches `40 lakh in the market. Paying 5 per cent GST for such huge amount on a daily basis from our own pockets and not knowing when the amount will get credited back to us is not practical for business," he added.There are over 400 cotton millers operating in Telangana. The sector saw a 20 per cent increase in cotton cultivation in 2017 when compared to last year but unseasonal rains in October and pink ball worm attacks on cotton crop in November has made the sector players nervous.

Chinese cotton imports to recover than expected this season	**Yarns and Fibres** http://www.yarnsandfibers.com/news/textile-news/chinese-cotton-imports-recover-expected-season#.WjC1UVWWbIU

The US Department of Agriculture's Beijing bureau pegged at 1.30m tonnes (5.97m bales) China's cotton imports in 2017-18, on an August-to-July basis. A rise of more than 200,000 tonnes year on year – far bigger than the 58,000-tonne increase, to 1.15m tonnes (5.30m bales), that the USDA has officially penciled in.

The bureau's estimate comes amid persistent market talk that China may be poised for accelerating buy-ins, with some rumours of a potential increase to the import quota of 894,000 tonne allowed in with a 1% tariff, under an agreement with the World Trade Organization.

US officials said that China's cotton imports will recover more than had been expected this season, due to the need for high-quality fibre by a domestic spinning industry.

Indeed, the bureau itself underlined that "since July, anecdotal reports have circulated that the government might be considering special approval to allow for some imports of high-grade cotton.

Given the Chinese textile sector's increasing demand for high-grade cotton, traders anticipate the government may increase its flexibility in issuing additional import quota.

Consideration of all these factors, it is logical for the government to approve some cotton imports to meet the industry demand in 2018, the bureau said, although adding that it remains unclear when the government will allow additional cotton imports.

Ron Lee, at US-based McCleskey Cotton, reported that China will continue to be a strong buyer of US cotton, perhaps even increasing quota after the turn of the new year.

Latest Chinese cotton import data, for October, the month after the closure of the government's 2017 auction programme of supplies from the country's bloated cotton stockpiles, came in at 78,128 tonnes, according to customs data, a rise of 89% year on year.

The purchases took to 983,450 tonnes China's cotton imports in the first 10 months of this year, a rise of 41%, of which 458,588 tonnes were sourced from the US, a jump of 131% year on year.

While this year's government auction programme released 3.22m tonnes of cotton to domestic mills, the fibre is said to be of low quality, and the release will not ease the shortage of high grade cotton for Chinese mills, the bureau said.

Meanwhile, demand for cotton overall is being whetted by economic expansion, and a reduction in Chinese cotton premium to global values, making the country's mills more competitive.

The USDA bureau said that China's cotton use in 2017-18 was forecast rising by 335,000 tonnes year on year to 8.50m tonnes (39.0m bales), growth mainly driven by a more market-oriented domestic cotton price,

The bureau added that a further auction of state stocks scheduled for 2018 could see China's cotton stocks fall a further 3m tonnes, after a decline of 3.2m tonnes this year, to a figure pegged by "industry sources" at about 5.2m tonnes.

Spinners paying premium price to get quality lint	**Yarns and Fibres** http://www.yarnsandfibers.com/news/textile-news/spinners-paying-premium-price-get-quality-lint#.WjC1U1WWbIU

Prices at cotton market for the second time in the season seen crossing above the Rs7,000 mark to reach Rs7,050 per maund. However, strong buying was witnessed on Monday as spinners preferred to get quality lint and were willing to pay premium price for Sindh variety. But the trading activity at cotton market remained restricted due to short supply of quality lint.

Also the rupee-dollar parity is going to impact cotton imports which will become costlier in case the rupee value declines against dollar. This was a cause of concern for the textile industry because a huge quantity of around 3 million bales is expected to be imported. Meanwhile, the downpour on Monday in Punjab would be beneficial for wheat crop but would be harmful for the cotton where picking has yet to finish. However, reports suggested that most of the crop has been picked.

There is growing concern amongst spinners that late approval for import of cotton from India would not help because by end of this month much of quality cotton would have been lifted by Indian textile industry or exported.

At the Karachi Cotton Association (KCA) spot rates remained steady at weekend level.

The following deals reported to have changed hands on the ready counter were 800 bales, Ghotki, at Rs7,050; 400 bales, Daharki, at Rs7,050; 400 bales, Mir¬pur Mathelo, at Rs7,050; 2,000 bales, Rohri, at Rs6,500 to Rs6,700; 1,600 bales, Saleh Pat, at Rs6,550 to Rs6,750; 2,200 bales, Haroonabad, at Rs6,450; 2,400 bales, Rahim¬yar Khan, at Rs6,875 to Rs7,000; 600 bales, Khane¬wal, at Rs6,300; 1,200 bales, Mianwali, at Rs6,300; and 1,000 bales, Layyah, at Rs6,300. On global front, world leading cotton markets gave mixed trend with Indian cotton closing steady while the New York and Chinese cotton markets were under pressure.

Australian cotton production to grow 4% in 2017-18: ABARES	**Fibre 2 Fashion** http://www.fibre2fashion.com/news/cotton-news/australian-cotton-production-to-grow-4-in-2017-18-abares-229535-newsdetails.htm

Cotton production in Australia is forecast to rise by 4 per cent to 968,000 tonnes in 2017-18 season. This is expected to be largely driven by an increase in yields in irrigated plantings following the poor yields achieved in the previous season, according to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

In the ongoing cotton season, total area planted to cotton is forecast to decline by 10 per cent to 500,000 hectares due to a decrease in the availability of irrigation water and dry seasonal conditions at the opening of the planting window. This forecast is a smaller decline than forecast in *Agricultural commodities: September quarter 2017*.

However, favourable returns from growing cotton compared with alternative crops (grain sorghum, maize and rice) combined with above average rains in October 2017 have provided the incentive and opportunity for Australian producers to increase dryland plantings by more than previously expected. This was further facilitated by an extended planting window following the introduction of Bollgard 3 cotton varieties which increased the planting window to four months (August to December), ABARES said in its latest report *Agricultural commodities: December quarter 2017*.

The decline in area under cotton is due to less stored irrigation water and lower soil moisture at the time of planting. As on November 23, 2017, the average storage level of public irrigation dams serving cotton-growing regions was around 59 per cent of capacity, compared with 73 per cent at the same date in 2016, the report said.

In 2017-18, Australian cotton exports are forecast to increase by 24 per cent to 944,000 tonnes. This forecast is supported by production growth in 2016-17 and 2017-18 and strong import demand for quality cotton from

Bangladesh, China, India and Vietnam. As a result, the value of Australian cotton exports is expected to increase by 18 per cent to around $2.1 billion, reflecting an increase in export volumes.

Average returns to Australian cotton growers in 2017-18 are forecast to be Au$600 per bale (of 227 kg each) of lint (including the value of cottonseed and net of ginning costs), down from Au$609 per bale in 2016-17, mainly due to lower world cotton prices