



The Southern India Mills' Association

Post Box No. 3783, 41 Race Course, Coimbatore - 641 018

Phone: 0422 4225333 | Fax: 0422 4225366

E-mail: info@simamills.org | Web: www.simamills.org

NEWS CLIPPINGS –15-12-2017

Cotton rises 2.5% on low output worries	Economic Times https://economictimes.indiatimes.com/markets/commodities/news/cotton-rises-2-5-on-low-output-worries/articleshow/62065843.cms
<p>Cotton prices in the spot market have increased 2.5% in a week, a development that traders attributed in part to widespread belief that the output for 2017-18 would be less than 370 lakh bales although the Cotton Advisory Board has forecast 377 lakh bales in its first estimate. Traders said that this combined with the main trigger of Pakistan's decision to allow import of Indian cotton resulted in price rise of Rs 1,000 per candy to Rs 39,500 per candy. Explaining the rationale for the forecast, Cotton Advisory Board chairman Kavita Gupta said, "We believe that 19% increase in area under cotton could compensate to some extent the losses that could be suffered due to pink bollworm problem, which has been mainly noticed in five states of the country."</p> <p>The area under cotton has increased to 122 lakh hectares from 108 lakh hectares in the previous year. The board has forecast 9.3% higher output than the production of 345 lakh bales in 2016-17. However, traders peg the output this year at 355-365 lakh bales.</p> <p>Cotton harvest continues for several months as the crop yields multiple pickings. As per trade estimates, about 100 lakh bales of cotton have come to the market so far, indicating that a large crop remains to be harvested. The Cotton Association of India, which mainly represents cotton traders, had earlier said that it estimated cotton production of 375 lakh bales for the 2017-18 season.</p>	

Cotton yarn exports fall 10% y-o-y on poor China demand	Times of India https://timesofindia.indiatimes.com/business/india-business/cotton-yarn-exports-fall-10-y-o-y-on-poor-china-demand/articleshow/62075150.cms
<p>With China, the largest importer of yarn, reducing its purchases, cotton yarn exports from the country fell 10.2% year-on-year (y-o-y) to 464 million kgs (mkg) between April and September this year. Cotton yarn exports advanced by a mere 1.1% y-o-y in value terms to around \$1.5 billion during the timeframe.</p> <p>Exports to China saw the biggest fall in both volume and value terms. Cotton yarn shipments to China plunged</p>	

31.9% to 105.9 mkg between April and September, data with the union commerce ministry showed. It fell 36.7% y-o-y in value terms to \$285 million. Incidentally, cotton yarn exports hit a record \$4.5 billion in 2013-14 as spinning mills performed well by taking advantage of various sops including the 2% incremental export incentive, 2% interest subvention and 3% focus market incentive.

However, export incentives provided to cotton yarn were withdrawn in 2014. Following this, yarn exports started declining and fell 26% to \$3.3 billion in 2016-17. "This policy decision has adversely affected cotton yarn exports to China, the largest importer," said Sanjay Kumar Jain, chairman, Confederation of Indian Textile Industry (CITI). "China has shifted from India to Vietnam/Indonesia as they have duty free access while Indian yarn carries 3.5% import duty," he said. "From 2013-14 to 2016-17, there has been a decline in India's cotton yarn exports to China by 42% while exports from Vietnam and Indonesia have increased 83% and nearly 14% respectively in the same period," Jain stated.

Put anti-dumping duties on all textile imports from China..Jyoti Prakash Gupta

"Profit margin in the yarn industry are thin and profits are made with volumes. Withdrawal of the export incentives for cotton yarn has reduced our competitive edge by increasing our prices to the tune of 5%-6%," he said. "Many old textile mills have been shut down. Over the last five years, spinning EBITDA (earnings before interest, taxes, depreciation and amortisation) margins have decreased at an alarming rate of 21% per annum," the CITI chairman said. He said that the 3% IES (Interest Equalisation Scheme) benefit is essential to maintain 6-9 months of cotton inventory since it is a seasonal commodity available for four months and also to ensure consistency in quality of yarn supplied at a lower interest cost. "Indian interest rate ranges between 10% and 12.5% while interest rates of our competing nations ranges much lower at 4%-6%," Jain said. "There is an urgent need to restore the MEIS (Merchandise Exports from India Scheme) and IES benefits for cotton yarn immediately," he said. "There are no reasons why other segments in the textile value chain should get this benefit including MMF (man-made fibre) yarn while cotton yarn should not get the same," the CITI chairman stated.

Agriculture Minister fails to announce compensation for cotton farmers

The Hindu

<http://www.thehindu.com/news/states/agriculture-minister-fails-to-announce-compensation-for-cotton-farmers/article21665721.ece>

Opposition boycotts Assembly proceedings

Nagpur: A day after facing embarrassment over could not being able to produce information on the damage to cotton crop due to the pink bollworm pest infestation, Agriculture Minister Pandurang Fundkar on Thursday said

that the government has received applications from over five lakh farmers claiming damages.

“We have the reports from over 20 districts claiming that the cotton crop has faced disease because of pink bollworm. We are in the process of conducting panchnamas. Crop in over 4.90 lakh hectare has faced damage,” Mr. Fundkar said, replying to a discussion on problems faced by the farming community.

Mr. Fundkar denied the opposition charge that the state government was safeguarding the seed companies from any possible action against them. “Over five lakh farmers have given application claiming damage to the crop. All these farmers will be given compensation through seed companies, insurance claims and disaster relief fund,” he said.

The Minister did not announce any compensation to cotton farmers, which irked the opposition. Prior to the winter session, opposition had demanded compensation of ₹25,000 per acre to farmers.

“The government is claiming that the farmers will get compensation, but is not ready to do so. The Minister must announce the amount today to extend relief to farmers,” Nationalist Congress Party leader Ajit Pawar said. Chief Minister Devendra Fadnavis intervened saying the government would analyse the loss and ensure that every cotton producer benefits.

Leader of Opposition in the Assembly, Radhakrishna Vikhe-Patil too criticised the government for failing to make a concrete announcement to benefit the farmers. The Opposition unitedly boycotted the proceedings over the government’s inability to announce the compensation amount.

The Hindu had last month reported on how the state is staring at an unprecedented loss of cotton crop this year, as pink bollworm is estimated to have affected approximately 50% of the total crop. The Opposition has been claiming that the loss would cost the state ₹30,000 crore.

Pest attack lowers cotton yield in Maharashtra	Business Standard http://www.business-standard.com/article/markets/pest-attack-lowers-yield-in-maharashtra-117121500023_1.html
<p>Cotton farmers in Maharashtra are set to lose nearly 13 per cent of their output this year due to pink bollworm attacks on the standing crop in major production regions of the state.</p> <p>The textiles ministry estimates a 13 per cent decline in the average cotton yield in Maharashtra with major crop losses in Yavatmal and Jalgaon districts. Sources said around a third of Maharashtra’s cotton area were under attack by pink bollworm. Cotton farmers have voiced their concern over crop losses and have dragged seed</p>	

companies to court seeking damages. According to the Cotton Advisory Board, the cotton yield in Maharashtra for the 2017-18 season will be 344.21 kg per hectare, lower than the previous year's 395.92 kg. The board estimates cotton acreage in Maharashtra at 4.2 million hectares, a 10.5 per cent rise from 3.8 million hectares in the previous season.

Encouraged by a sharp rise in cotton prices last year, farmers in Maharashtra as elsewhere shifted from soybean to cotton this season. This resulted in a 19 per cent increase in the cotton acreage this season. With an average countrywide yield of 523.83 kg per hectare, the Cotton Advisory Board estimates the season's total cotton output at 37.70 million bales (170 kg each), up from 34.50 million bales a year ago.

Apart from Maharashtra, pink bollworm has infested cotton fields in Madhya Pradesh, Gujarat, Telangana and Karnataka. Despite lower yields in major producing states, the supply situation is comfortable with over 4.78 million bales of closing stocks from 2016-17. "Since Pakistan has allowed market access to Indian cotton, we expect exports of 6.7 million bales in 2017-18. China, another large buyer of Indian cotton, has also reported a reduction in its cotton storage," Textiles Commissioner Kavita Gupta said.

Pink bollworm issue: Farmers to be compensated through seed	India Today http://indiatoday.intoday.in/story/pink-bollworm-issue-farmers-to-be-compensated-through-seed/1/1110596.html
<p>Maharashtra government has received applications of over five lakh farmers claiming damage to crops due to pink bollworm infestation and they will be compensated through seed firms and disaster relief fund, Agriculture Minister Pandurang Fundkar said in Assembly today. "We have reports from over 20 districts of Maharashtra claiming that the cotton crop is damaged due to pink bollworm. We are in the process of panchnamas and the damage caused to the crop spread over 4.90 lakh hectares in the state," Fundkar said while replying to a discussion on problems being faced by farmers.</p> <p>The ruling BJP yesterday found itself cornered in the Lower House after it came to fore that officials have failed to brief Fundkar on the issue of pink bollworm infestation. Fundkar today denied the oppositions charge that the state government was shielding seed companies from any possible action against them over the pest attack.</p> <p>"Over five lakh farmers have given application claiming damage to the crop. All these farmers will be given compensation through seed companies, insurance claims and disaster relief fund," he said. However, the opposition remained unconvinced as the minister did not announce the quantum of compensation to be paid to cotton farmers. Prior to the winter session, Opposition leaders had demanded compensation worth Rs 25,000 per acre for affected farmers. "The government is making claims that the farmers will get compensation, but is</p>	

not ready to contribute on its own. The minister must announce the amount today to extend relief to farmers," NCP MLA Ajit Pawar said.

Chief Minister Devendra Fadnavis intervened saying the government would analyse the losses and ensure that every cotton producer is given the benefit. Opposition has been demanding immediate relief to farmers saying that Bt cotton seed "BG II" has failed to protect cotton from the pink bollworm attack in Vidarbha and Marathwada regions. Opposition members yesterday alleged that though the government was aware that BG II seed lacked potential to prevent pink bollworm infestation it purposefully didnt act as it "wanted private seed-producing companies to be benefitted". Leader of Opposition Radhakrishna Vikhe Patil (Congress) also slammed the government for failing to make any "concrete" announcement to benefit affected farmers.

Former chief minister Prithviraj Chavan said, "I doubt how much financial assistance could be given to seed companies, as the seed law is weak. It is not sufficient to prosecute the companies and get enough compensation for farmers". The opposition members then boycotted the proceedings over the governments inability to announce the compensation amount.

Cotton ginners on strike today against GST	Business Standard http://www.business-standard.com/article/economy-policy/cotton-ginners-on-strike-today-against-gst-117121500020_1.html
<p>Ginners across the country have decided to observe a day's strike on Friday, with the threat of more action later, in protest at the five per cent goods and services tax (GST) on cotton.</p> <p>While implementing the new tax since July 1, the GST Council had levied a five per cent rate through the Reverse Charge Mechanism (RCM) on all agricultural commodities, later deferred till March 31, 2018. However, three weeks earlier, a five per cent GST was imposed on cotton, the only agri commodity to attract this.</p> <p>“Several representations were made to the ministry of textiles for withdrawal of the RCM imposed on cotton. There has been no communication from the government. Hence, the one-day strike. If the GST Council does not withdraw RCM in the next meeting scheduled on December 21, we would go on indefinite strike later,” said Upendra Singh Rajpal, president, Maharashtra Cotton Ginners Association and vice-president of the Cotton Association of India. In the RCM, a recipient of goods and/or services is liable to pay GST, instead of the supplier. In this case, ginners instead of the cotton farmers. A senior official of the Saurashtra Ginners Association said the new levy would have a big impact on ginners’ operating margins.</p>	

<p>Wto, Itc Launch Cotton Portal To Enhance Transparency, Support Development</p>	<p>Fashionating WORLD http://fashionatingworld.in/new1-2/wto-itc-launch-cotton-portal-to-enhance-transparency-support-development</p>
<p>The World Trade Organization (WTO) and the International Trade Centre (ITC) have launched an on-line platform for market intelligence for cotton products, which will enable cotton producers, traders and policymakers to better harness market opportunities in the sector. The Cotton Portal, revealed at the WTO's 11th Ministerial Conference in Buenos Aires, will contribute to a more efficient cotton trading system by providing improved transparency and accessibility of trade- related information for cotton products and other relevant information for the daily activities of cotton producers, traders and policy makers.</p> <p>The launch of the Cotton Portal delivers on a key commitment of Nairobi's decision to identify and examine market access barriers, including tariff and non- tariff barriers for cotton products, particularly those exported by least-developed countries. ITC Executive Director Arancha Gonzalez says that Cotton Portal will enable cotton producers and traders to harvest greater benefits from increased participation in global trade, particularly for least developed countries. By making the sector more transparent, businesses will have easier access to trade and market intelligence, allowing them to add additional value to their exports.</p> <p>The Cotton Portal is designed for exporters, importers, investors and trade support institutions to search business opportunities and market requirements for cotton products. It provides a single entry point for all cotton-specific information available in WTO and ITC databases on market access, trade statistics, country-specific business contacts and development assistance-related information as well as links to relevant documents, webpages and to other organizations active in the cotton sector.</p> <p>The 2015 Nairobi ministerial decision on cotton contains provisions on improving market access for least-developed countries, eliminating export subsidies, and the efforts to be made to reform domestic support. It also underlines the importance of effective assistance to support the cotton sector in developing countries.</p>	

<p>Bangladesh plans to increase apparels exports mark to USD50 bn by</p>	<p>Yarns and Fibres http://www.yarnsandfibres.com/news/textile-news/bangladesh-plans-increase-apparels-exports-mark-usd50-bn-2021#.WjNjuVWWbIU</p>
<p>Bangladesh plans to double its apparel export to reach a high ambition mark of USD 50-billion by 2021 which currently stands at USD 28 billion by expanding its global markets. It is going to be a difficult task but the only way to increase the export amount is by adding value to the apparel.</p> <p>The set target to increase apparel exports is in line with the government's Vision 2021, which is centred around a</p>	

goal for the country to attain the middle-income country status by that year when the nation celebrates the golden jubilee of its independence.

The current competitive advantage of Bangladesh is already being challenged by countries that depend on low-cost production—like Ethiopia. Many European and US retailers and brands will follow these countries if better margins are offered.

Moreover, if Bangladesh is to graduate into a middle-income country, then the wages for its four million workers involved with the garment industry will have to rise at the expense of the margins of the apparel producers, resulting in lower profitability and losing that competitive edge.

It is a catch-22 situation given our current low-cost production strategy. And it's doom to failure because of the law of nature about a developing country that must offer the benefits of a higher living standard in its journey to becoming a nearly industrialised one.

Therefore, for the growth vision for 2021 to deliver, it is high time the apparel industry leadership fostered change as regards its customer base. The first option is to keep the customers in the apparel sector, not with low cost, but with innovation, collaboration and proliferation, thereby increasing the production volume and margin. Simultaneously, growing the number of customers in the value creation process will be an added bonus.

For decades, international buyers for large international apparel chains and brands have worked under the assumption that labour cost must be kept as low as possible in order for garments to be produced at competitive prices. This widely-held belief has made the industry move from country to country, as the increase in labour cost erode each local market's temporary advantage. One day, possibly soon, this journey will come to an end.

Cheap labour is becoming a rare commodity while the number of low-cost countries is also dwindling. Demonstrated thought leadership by the international retailers and brands need to get ahead of this trend by assessing what they can influence with their existing production partners to generate sustainable efficiency gains, improve their production speed, and ultimately take pressure off labour cost management, thus ensuring that margins are offered as a part of efficiency—not through cheaper labour.

Consequently, the challenge for the apparel buyers is to collaborate with their production partners to advance the ideas of innovation, collaboration and proliferation. By inspiring, generating and adopting production innovations that improve speed and efficiency, they can increase their responsiveness to fashion cycles.

By collaborating on adopting a standard unit of measure, both parties can, through this act of co-creation, help bring cost transparency to the supply chain and boost productivity. And by managing sub-suppliers and improving

coordination with tier one, two and three for fabric, trim and sundries, they can proactively manage the raw material suppliers, consequently delivering positive proliferation.

Next to streamlining the internal processes to gain value growth, the other obvious concept to support the growth of Bangladesh apparel export is the external shift from volume to value customers.

According to the Boston Consulting Group, there has been a rebound in consumer confidence since the last financial crisis. As confidence rises, consumers become more willing to splurge on expensive products.

Therefore, there are many opportunities for the Bangladesh apparel industry to grow margins by adding value and attracting premium brands and retailers. A blouse or pair of jeans cost more or less the same to produce, and it is mainly the raw materials that are adding cost to production. Managing the raw materials will be crucial but the margin gains will be many times more as the medium to premium brands and retailers sell at a much higher retail price and can buy the product in Bangladesh at a higher price.

The biggest trend in EU and the US for capturing margin building and value adding growth is Experience Economy, which is estimated at USD 1.3 trillion in annual consumer spending in the US alone. The shift from personal goods to experiences will benefit some fashion companies, provided they are positioned correctly. For example, the rise of health and wellness experiences benefits companies that make activewear, athletic footwear, and other apparel for exercising, hiking, and spending time outdoors. The rise in leisure travel will mean higher sales of layering clothes, luggage, and travel accessories.

To respond to this, companies will need to reposition themselves—at the levels of the portfolio and individual brands—by orienting products around specific experiences.

This is where the other opportunity lies for supporting the growth vision for Bangladesh by 2021: shortcutting the traditional entry price brands by adding new medium to premium brands and retailers that are targeting the experience economy.

Quick gains could come by addressing these brands in the medium to premium segment with the already established production and supply chains in Bangladesh and harvesting the margins as the retail prices are higher than the entry price brands. In this, Bangladesh faces a few challenges. Medium to premium brands and retailers are looking for value adding design perspectives that will enhance the consumer experience and set the products apart from competition.

The second challenge is the perception of Bangladesh as a production hub that ignores social and ethical issues

leading up to the collapse of factory buildings due to lack of health and safety. Many US and EU boards of directors see Bangladesh as a liability that can get a bad press and damage their image.

The value creation performance of the Bangladesh apparel industry has, for over 40 years, delivered continued growth but if the apparel industry is to continue to support the growth, change management and repositioning from volume to value are the key.