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 –07-06-2018

Cotton mart sees bullish signals as deficit looms	**Business Line** https://www.thehindubusinessline.com/economy/agri-business/bullish-signals-on-cotton-front-as-deficit-looms/article24097326.ece

The world cotton market may be poised for a bull run in the months ahead as the market fundamentals are changing. With global consumption in 2018-19 projected to run ahead of production and ending stocks set to decline to multi-year lows, prices could only be headed north.

The China factor

But a more important reason for the emerging bullish sentiment is that China, arguably the world's largest stakeholder in cotton, could be back in the market with a bang. The Chinese announcement that the country intends to raise its cotton imports with reduced-duty is seen as a positive for the market.

In recent years, China's cotton import volumes had declined drastically as the country continued to liquidate large inventory. The Asian major's annual imports are currently close to a million tonnes , less than a third as compared with peak imports until five years ago. But, of late, cotton prices in the Chinese market have escalated sharply, prompting the authorities to think about rebuilding stocks.

Weather vagaries

But that's not all. Weather issues have come to the fore. Xinjiang region, accounting for three-fourth of China's cotton area, is facing adverse weather which is seen fanning fears of tightening supplies. In the US, potential drought conditions in West Texas are seen affecting a quarter of the US crop, although rains in the last two days have brought some relief.

In India, planted area for cotton may decline by up to a million hectares following the attack of bollworm last season in a few States. The interventions were ineffective and growers have turned wary. Lower planted area will reduce harvest size. The tentative production target for 2018-19 is 35.5 million bales (of 170 kg each).

Tighter supplies

All these point to supply concerns, especially quality supplies, in the next season while demand looks robust, encouraged by strong global economic growth.

According to the Washington DC-based International Cotton Advisory Committee, world cotton production for 2018-19 is projected at 25.75 million tonnes (26.57 mt), while consumption is estimated at 26.72 mt (25.49 mt).

Importantly, world trade in 2018-19 is projected to rise to 9.19 mt from last year's 8.77 mt of the previous year. In other words, the fundamentals are set to tighten in the months ahead.

In such a tight scenario, the potential entry of China could be disruptive. While growers in exporting nations such as the US and India would rejoice at the prospect of a price rise, importing and consuming countries are likely to bear the brunt of high prices.

Higher prices

The Cotlook A-Index is currently projected at 81 cents per pound for 2018-19. However, considering the emerging scenario, prices have the potential to rise by as much as 25 per cent and touch the psychological 100 cents and breach it decisively. This possibility arises because speculative capital is waiting in the wings and will move in swiftly which in turn will exaggerate the price action.

As the world's largest exporter the US is expected to substantially benefit from China's imports. Cotton exports out of India are also likely to accelerate especially because of the depreciated value of the rupee. In recent years, Bangladesh has emerged as an important buyer of Indian cotton.

Exporters appeal to increase IES to compensate repo rate hike	**Outlook India** https://www.outlookindia.com/newsscroll/exporters-appeal-to-increase-ies-to-compensate-repo-rate-hike/1324304

The Tirupur Exporters' Association (TEA) today said the increase in Repo rate would increase the cost of credit to exporting units and have a detrimental effect on exports.

Reacting to RBI's second Bi-monthly monetary policy for 2018-19 and the decision to increase the repo rate by 25 basis points, from six to 6.25 per cent, TEA President Raja M Shanmugham in a statement said knitwear units in Tirupur are already reeling under pressure due to various factors and unforeseen ramifications after implementation of GST.

Knitwear exports from Tirupur have declined to Rs 24,000 crore last year against Rs 26,000 crore the previous year, he said, adding the repo rate increase would have a detrimental effect on exports, even as the industry was taking all efforts to sustain itself in the global market.

Exporting units have been taking up orders since six months back and are not in a position to increase prices as there is stiff competition in the global market, he said.

When the interest rate in the international market was between two to four per cent, it was in the region of 11 per cent in India and to compensate that, the Government has announced Interest Equalization Scheme and was providing three per cent Interest subvention on packing credit, he said.

Shanmugham said the exporters appealed to the government to increase IES from three to five per cent.

GDP woes over, Indian economy to grow at 7.3% in 2018-19, says World Bank	Business Today https://www.businesstoday.in/current/economy-politics/gdp-woes-over-indian-economy-to-grow-at-7-3-percent-in-2018-19-says-world-bank/story/278574.html

Indian economy is likely to regain its pace in the current fiscal and once again become the fastest growing emerging economy, a World Bank report said. The Global Economic Prospects report released by the World Bank on Tuesday projects that India will see its gross domestic product (GDP) grow at a rate of 7.3 per cent during the ongoing fiscal and at 7.5 per cent in the two succeeding ones.

"Growth in India is projected to accelerate to 7.3 percent in FY2018/19 and 7.5 percent on average in 2019-20, reflecting robust private consumption and firming investment, broadly in line with January projections," the World Bank report said.

In comparison, the rest of the South Asia region (SAR), excluding India, will post GDP growth of 5.6 per cent in for the current fiscal and the next one, moving up to 5.7 in 2020-21.

"India's GDP growth bottomed out in the middle of 2017 after slowing for five consecutive quarters, and has since improved significantly, with momentum carrying over into 2018 on the back of a recovery in investment. Although investment growth was still moderately lower in 2017 than in 2016, high-frequency indicators suggest that it accelerated into 2018," World Bank said.

The Indian economy has also moved past the disruptions caused by the implementation of Goods and Services Tax (GST) in mid-2017, World Bank observed in its report, adding that manufacturing output and industrial production have continued to firm since then. The report also forecasted that the recovering Indian economy will also help economic growth in South Asia region to accelerate to 6.9 per cent in 2018 from 6.6 per cent in 2017.

Improving economic conditions in India will help uplift the quality of life too, World Bank said. "Per capita growth rates in the region are strong, and are expected to help bring down poverty in coming years, particularly in India," it said. However, structural weaknesses and macroeconomic vulnerabilities remain key challenges to be addressed by SAR governments.

Talking about possible risks to the positive outook, World Bank said, "In a number of countries, a further deterioration in fiscal balances (e.g., India, Maldives, Pakistan, Sri Lanka), a continued build-up of debt, and widening current account deficits, present significant vulnerabilities to a tightening of domestic or external financing conditions."

Adverse global conditions like an abrupt tightening of global financial conditions and escalating trade protectionism could also spell bad news for India and rest of the region even though the region is relatively less open to trade, World Bank cautioned. "Since South Asia is net oil importer, a higher-than-expected rise in oil prices might amplify macroeconomic vulnerabilities and weigh on economic activity," it added.

Inflation has been increasing in the region recently, and is close to or above targets in some countries like India, World Bank said.

Cotton futures jump over 2 pct on mill fixations, short-covering	Investing.com https://in.investing.com/news/commodities-news/cotton-futures-jump-over-2-pct-on-mill-fixations-shortcovering-1069957

ICE cotton futures rose over 2 percent on Tuesday, supported by mill fixations and short covering after prices fell to their lowest in nearly three weeks.

* ICE cotton contract for May expiry CTK8 settled up 1.85 cent, or 2.28 percent, at 83.08 cents per lb. This was the biggest daily percentage gain for the contract in nearly 2 weeks.

* The contract hit 80.95 cents per lb earlier in the session, its lowest since March 1.

* "I think what we probably saw today was some fixations... probably large number of them as the market got down to 80.95 cents per lb," said Louis Rose, director of research and analytics at Tennessee-based Rose Commodity.

* "So, somewhere around 81 cents per lb, it looks like there is a willingness to fix cotton, and the movement up certainly looked like short covering," Rose added.

* Total futures market volume rose by 1,974 to 31,668 lots. Data showed total open interest fell 3,667 to 268,891 contracts in the previous session.

* Cotton planting in India, the world's top producer of the fiber, could fall 12 percent in the 2018/19 crop year as infestation by the pink bollworm has slashed farmers' incomes and prompted them to choose other crops, industry officials said. China sold 18,001 tonnes of cotton at an auction of state reserves, according to a cotton industry website on Tuesday.

Cotton area in Punjab shrinks by 1 lakh hectares	Indian Express http://indianexpress.com/article/india/chandigarh/cotton-area-in-punjab-shrinks-by-1-lakh-hectares-5207237/

Cotton and basmati are sown during Kharif season (April to September). This fall in the cotton area may lead to increase area either under highly water intensive crop paddy, which will be sown from June 15, or basmati which will be sown in July.

PUNJAB HAS witnessed a slide of nearly one lakh hectares under cotton crop area this year as compared to the previous year. Also, the area is way short of the estimated target fixed this year. Two main reasons are being cited by the experts for this: One is non-availability of canal water during the major portion of sowing season starting from second week of April till May last and second, farmers got good price of Basmati crop last year as compared to cotton crop.

Cotton and basmati are sown during Kharif season (April to September). This fall in the cotton area may lead to increase area either under highly water intensive crop paddy, which will be sown from June 15, or basmati which will be sown in July.

According to the Punjab agriculture department, this year the total target for cotton area was fixed at four lakh hectares but till June 4, the area recorded under it was 2.83 lakh hectares which is 27 perr cent less than last year, when 3.82 hectares area was under cotton. The ideal sowing season of cotton was between April 15-May 20. Punjab has eight district under cotton belt including Bathinda, Mansa, Mukatsar Sahib, Fazilka-all four are major cotton districts: Barnala Moga, Faridkot, and Sangrur.

For major four cotton districts, the target was 3.78 lakh hectares of the total 4-lakh target. But these districts could reach up to 2.77 lakh hectares, around one lakh hectares short of their target.

"Sowing season is already over," said chief agriculture officer (CAO) Paramjit Singh. In Mansa district, only 39,000 hectares could be brought under crop against 60,000 hectares last year. This year, the district target was 88,500 hectares. "We could not get canal water for almost a month during the sowing season," said he, adding that due to delay in getting water now farmers will go for basmati and Paddy as they got good price for basmati last year," he added .

"We had fixed the target of 1.40 lakh hectares area in Bathinda, but only 1.10 lakh hectares could be sown here," said CAO (Bathinda) Gurditta Singh. In Muktsar Sahib, too, only 52,000 hectares could be sown against 64,600 hectares last year while the target of this year was 70,000 hectares.

In Fazilka, another major cotton district, 76,000 hectares were brought under cotton against the target of 80,000 hectares. "We wanted to take it up to one lakh hectares but we could not get water from April second week till April 28 due to which we could not meet the target, said CAO (Fazilka) Beant Singh.

Meanwhile, Faridkot, Sangrur, Moga, Barnala districts also sow around 20,000 hectares area under cotton but here, too, the target could not be met.

"In most parts of the cotton belt, canal water could not be supplied for around three weeks from second weeks from Apil beginning till April end and even in some areas the water could be supplied after first week of May, due to which our target could not be completed," said Director, Punjab agriculture department Dr J S Bains, adding that canals were not cleaned on time due to which sowing got affected, adding that area under cotton could have gone much higher this time. "Now, a sizeable number of farmers would prefer Basmati and paddy over cotton," said he.

Last season cotton price which started from around Rs 4,000 to 4,100 per quintal which went up to Rs 5,200 per quintal while farmers got around Rs 3,000 to 3,500 per quintal basmati. On an average, 10-12 quintals cotton are harvested from one acre while Basamati yield is around 18-20 quintals per acre.

In first rate hike under Modi govt, RBI boosts repo to 6.25%	**Times of India** https://timesofindia.indiatimes.com/business/india-business/in-first-rate-hike-under-modi-govt-rbi-boosts-repo-to-6-25/articleshow/64486157.cms

MUMBAI: Prompted by inflation fears and emboldened by growth, Urjit Patel on Wednesday delivered his first rate hike since taking over as Reserve Bank of India(RBI) governor in September 2016. It's also a first during Narendra Modi's four-year tenure as PM.

While economic growth makes every government happy, it dreads sharp price rises, especially ahead of elections. The Modi government will be praying for a good monsoon because it'll help spur growth and check inflation.

In a show of unanimity, the six members of the central bank's monetary policy committee (MPC) voted in favour of a 25-basis-point (100bps = 1 percentage point) hike in the policy rate, taking it to 6.25 per cent. It could lead to another round of marginal increases in home loan rates in the coming months; all major banks have in the last one week raised lending rates by 10bps.

Wednesday's hike follows five rate cuts during Raghuram Rajan's time as governor – four of 25 bps each and one of 50 bps – and two, both for 25bps, by Patel, the last being in August 2017. Patel has maintained the RBI's stance at neutral, which means that the central bank could go either way in the next policy in August.

Patel said RBI's decision was driven by its inflation-targeting mandate. The last rate hike – for 50 bps, to 8 per cent – was by Rajan in January 2014.

In its statement, the RBI said that domestic economic activity has exhibited sustained revival in recent quarters and the output gap has almost closed. "Investment activity, in particular, is recovering well and could receive a further boost from swift resolution of distressed sectors of the economy under the Insolvency and Bankruptcy Code," it added.

What has tempered the positive sentiment created by sharper growth – the Central Statistical Organisation last week announced a healthy 7.7 per cent economic expansion for January-March – is the spectre of inflation. Data released since RBI's April policy showed inflation jumped to 4.58 per cent in that month from 4.28 per cent in March. It is showing signs of firming up further with crude oil prices rising more than 10 per cent. The rupee has also come under pressure with the US dollar gaining against most emerging market currencies.

According to Bank of India MD & CEO Dinabandhu Mohapatra, the fact that the RBI has revised its consumer price inflation forecast upward to 4.8-4.9 per cent for the first half of FY19 shows that it will keep a hawk eye on retail prices in the months ahead. While a rate hike will lower the value of banks' bond portfolios, the RBI has provided lenders some relief by allowing them to spread losses over four quarters. Also, medium and small enterprises have been given some relief in loan repayment. And the RBI's decision recognizing banks' government bond holdings for meeting liquidity coverage norms will leave banks with more funds for lending, which is expected to keep rates under check The RBI's rate hike may have surprised some analysts, but the growth forecast of 7.5 per cent for FY19 boosted market sentiment with the sensex closing 276 points higher. Yes Bank MD & CEO Rana Kapoor said, "While the rate action is primarily in response to global uncertainty, especially from crude oil prices, it also signifies that the central bank is comfortable on the improving growth outlook."

CARE's chief economist Madan Sabnavis said, "The upside risk to the inflation emanates from the rising crude oil prices globally along with minimum support price impact." He said the pace of inflation would depend on the progress and spread of monsoon. "We expect one more interest rate hike by at least 25bps during the calendar year 2018, whereas we cannot rule out the possibility of two rate hikes by the end of the financial year 2018-19," said Sabnavis.

RBI boost for MSMEs, norms relaxed for entities registered under GST	**Zee Biz** http://www.zeebiz.com/small-business/news-rbi-boost-for-msmes-norms-relaxed-for-entities-registered-under-gst-50013

The apex bank has now been decided to temporarily allow banks and NBFCs to classify their exposure, as per the 180 day past due criterion, to all MSMEs with aggregate credit facilities up to the above limit, including those not registered under GST.

The Reserve Bank of India (RBI) today set out various developmental and regulatory policy measures for strengthening regulation and supervision; broadening and deepening financial markets; improving currency and debt management; fostering innovation in payment and settlement system; and, facilitating data management. The central bank also decided to encouraging formalisation of the MSME Sector.

In a statement on developmental and regulatory policies, the RBI said, "in February 2018, banks and NBFCs were allowed to temporarily classify their exposures to the Goods and Services Tax (GST) registered Micro, Small and Medium Enterprises (MSMEs), having aggregate credit facilities from these lenders up to Rs 250 million, as per a 180 day past due criterion, subject to certain conditions."

This was done, the RBI said, with a view to ease the transition of MSMEs to the formalised sector post their registration under the GST.

The apex bank has now been decided to temporarily allow banks and NBFCs to classify their exposure, as per the 180 day past due criterion, to all MSMEs with aggregate credit facilities up to the above limit, including those not registered under GST.

The bank said "accordingly, eligible MSME accounts, which were standard as on August 31, 2017, shall continue to be classified as standard by banks and NBFCs if the payments due as on September 1, 2017 and falling due thereafter up to December 31, 2018 were/are paid not later than 180 days from their original due date."

The RBI has relaxed norms regarding payment of dues for registered MSMEs under GST.

The statement said, "in view of the benefits from increasing formalisation of the economy for financial stability, the 180 day past due criterion, in respect of dues payable by GST registered MSMEs from January 1, 2019 onwards, shall be aligned to the extant norm of 90 day past due in a phased manner, whereas for entities that do not get registered under GST by December 31, 2018, the asset classification in respect of dues payable from January 1, 2019 onwards shall immediately revert to the 90 day norm.

States crack down on sale of illegal GM cotton seeds	Indian Express http://indianexpress.com/article/india/states-crack-down-on-sale-of-illegal-gm-cotton-seeds-5207084/

Area under 'unapproved' herbicide-tolerant hybrids likely to fall this year

Last year, almost 35 lakh packets of genetically modified (GM) cotton seeds, incorporating unapproved 'herbicide-tolerance' or HT technology, were bought and planted by farmers across India. But this time round, state governments seem better prepared to curb this illegal cultivation, even as sowing of cotton is over in northwest India and is about to commence in the main western, central and southern growing regions with the advance of the monsoon rains.

"Last year, the problem (of farmers planting HT cotton) was noticed only around early September and so no preventive action could be taken. This year, we began cracking down on dealers of these seeds from March, while not allowing release of any packets from company/ distributor godowns for retail sales before May 15," said Subhash Katkar, the chief quality control officer of Maharashtra's agriculture department. Besides, joint training workshops for officials from the agriculture, police and weights & measures departments were held to check the entry of illegal seeds through state borders.

The state government had, as on June 5, registered 24 cases and seized 16,533 packets of HT seeds worth Rs 4.68 crore from eight districts: Nagpur, Wardha, Amravati, Yavatmal, Chandrapur, Nanded, Jalna and Nandurbar. The illegal seed influx into Maharashtra has been mainly happening through the areas adjoining Gujarat and Telangana. The modus operandi of the sellers is to appoint commission agents in the border villages and distribute the seeds through their networks. "We have completely broken these networks. The supplies have, as a result, been largely plugged," claimed Katkar.

Subhash Nagre, the joint director of agriculture at Amravati division, noted that the HT seed smugglers were now using the detour route of Gadchiroli — unlike directly through Yavatmal last year — to push the seeds into Maharashtra's prime cotton belt of Vidarbha and Marathwada. "We found Warora in Chandrapur district to be their main distribution point and identified the main people involved there," he added.

The Indian Express spoke to three prominent agro-input dealers from Yavatmal, Amravati and Akola. All three confirmed, on condition of anonymity, that the influx and sale of HT seeds had been significantly curbed this year, due to the Maharashtra government's aggressive measures.

Farmers Nitin Khadse, from Jalka village in Yavatmal district's Maregaon taluka, and Sudam Pawar, from Amgaon Khadki in Seloo taluka of Wardha, also corroborated this information. "Last year, some farmers we know had sowed these seeds. But we have no knowledge of any one procuring or planning to plant the same this time," they admitted. The agriculture department has distributed over one lakh pamphlets to spread awareness among farmers of the risks in cultivating illegal HT cotton.

India currently allows planting of GM cotton containing only 'cry1Ac' and 'cry2Ab' genes, isolated from the Bacillus thuringiensis (Bt) soil bacterium and coding for proteins toxic to Heliothis bollworm insect pests. The Centre has not approved cultivation of cotton harbouring other GM traits, including resistance to herbicides. Spraying of herbicide cannot be done in normal cotton once the plant has emerged out of the soil, as the chemical cannot distinguish between weeds and the crop itself. But with cotton that is genetically engineered to 'tolerate' herbicide application — through introduction of another foreign gene, this time coding for a protein inhibiting the action of that chemical — only the weeds, not the crop, get destroyed.

During the last season, tests at the Nagpur-based Central Institute for Cotton Research had revealed that hybrids manufactured by Kaveri Seeds (under the 'Jadoo' and 'ATM' brands), Dhanlaxmi Crop Science Pvt. Ltd ('Balbhadra') and Aditya Seeds ('Arjun') contained the 'cp4-epsps' gene. This gene confers tolerance to glyphosate, a broad-spectrum herbicide.

The agriculture department has this time ensured that seed samples are randomly selected and sent for testing before the release of packets for sale from godowns. The companies have also been directed to print on their packets that the seeds being sold do not contain any HT gene.

For the current season, the Maharashtra government has permitted sale of 370 Bt cotton hybrids manufactured by 42 seed companies. "As many as 25 marketing companies have also been allowed to operate, but they can sell hybrids only under the original brand names. They cannot buy from the seed companies and then sell under different brands. We have cancelled the licences of 53 firms that were selling the same hybrids under different names. Such parallel marketing makes it easier to push seeds containing the illegal gene," Katkar pointed out. Nagre stated that the Maharashtra government is even planning to ban the use of glyphosate — which Andhra Pradesh has already done. According to him, farmers are not very keen to plant cotton after the severe pink bollworm infestation of the crop last year. Maharashtra may see a 15% decline in cotton area, with farmers opting to sow soyabean instead. That prospect alone might diminish the enthusiasm for cultivation of illegal HT cotton.

The South Asia Biotechnology Centre, a New Delhi-based agricultural think-tank, pegged the total sale of HT cotton hybrid seeds in 2017 at 34.9 lakh packets. The bulk of it was accounted for by three states: Telangana (16 lakh), Maharashtra (12 lakh) and Andhra Pradesh (4 lakh). Farmers reportedly shelled out anywhere from Rs 1,200 to Rs 1,500 per packet of these illegal seeds. This was much more than the government-fixed maximum retail price of Rs 800 for a packet of approved Bt cotton hybrids. Seed companies sold an estimated 430 lakh packets of legal GM cotton seeds, containing only 'cry1Ac' and 'cry2Ab' Bt genes.

Farm activist Kishore Tiwari — who now heads the Vasantrao Naik Sheti Swavlamban Mission, a state government-constituted expert body — felt that the supply of HT cotton seeds was clearly meeting a demand of farmers. "Farmers spend thousands of rupees on de-weeding operations. Hence, they are prepared to buy these seeds. All the concerned stakeholders need to sit down and seriously discuss the way ahead to satisfy the farmers' want," he told The Indian Express.

E-Commerce firms looks to set same day delivery trends	**Economics Times** https://tech.economictimes.indiatimes.com/news/internet/e-commerce-firms-looks-to-set-same-day-delivery-trends/64487149

Flipkart and its fashion units Myntra and Jabong, Amazon India and Paytm Mall are adopting a hyperlocal strategy to allow customers access to the latest fashion products that can be picked up and delivered from local stores within hours.

This model, routed via technology partners, can be replicated in categories such as mobile phones, electronics, and home furnishings, transforming how marketplaces operate and bringing substantial savings in inventory, warehousing and delivery costs. “This way, ecommerce companies don’t have to buy inventory, which is a massive cost. And then, storing in warehouses is an additional cost,” said Harsh Shah, cofounder of Fynd, the Google-backed fashion ecommerce platform that enables physical stores to sell online. “This is a great way for them to get inventory at zero cost.”

As part of a pilot run, Fynd recently integrated its brand inventory with Jabong Luxe, under which Jabong sells luxury brands, and Facebook Marketplace. Jabong Luxe now has access to labels including Steve Madden, Superdry and Brooks Brothers, while Facebook Marketplace has access to all the 330 fashion brands available on Fynd through 8,700 stores across India.

Similarly, Arvind Internet, a unit of textile manufacturer Arvind Ltd, is preparing to allow Flipkart, Myntra, Amazon India, Paytm Mall, and TataCliQ access to its 16 in-house brands and a handful of other partner brands including Arrow and Nautica, said chief executive Mukul Bafana

“We have been (running pilots across 100 stores) for a quarter and different marketplaces are at different levels. TataCliQ and Paytm are more ready for store fulfillment as compared to others,” he said.

Flipkart and Myntra declined to comment. A spokesperson for Amazon India said the company does not “comment on what we may or may not do in the future.” A spokesperson for Facebook confirmed the pilots with Arvind Internet, saying, “We are running a test to introduce content from shops into marketplace.”

Paytm Mall, which is backed by Chinese ecommerce giant Alibaba, is working directly with brands including Fossil, Red Tape and Timex, as well as Samsung Electronics, IFB and Lenovo to integrate its platform with their store inventory.

“Customers can order products online or walk into the nearest Paytm Mall Partner stores and scan the Paytm Mall QR code to order products, which will then be delivered from their nearest brand authorised retailer,” said chief operating officer Amit Sinha. “Over 60% of all orders placed on our platform are through the (online-to-offline, or O2O) channel.”

While this store-pickup model could potentially boost sales for online marketplaces and brand stores, industry experts say it comes with its own set of challenges.

“Stores don’t have good visibility of their own inventory, with a 5-15% mismatch of actual inventory versus what is reflected in the system,” said Rahul Chowdhri, venture capitalist at Stellaris Venture Partners. “Moreover, in general, smaller distributed centres are a challenge when you are scaling up.”

Fashion accounts for 30-40% of sales in terms of volumes for Amazon India and Flipkart, not including Myntra and Jabong, making it among the biggest product categories for the ecommerce giants. But the significant expenses involved and keeping up with trends can be a drag.

Warehouse storage and delivery cost can go up to as high as Rs 110 per unit, according to industry estimates, whereas delivery from a store would cost around Rs 95 per unit. Overall, inventory, warehousing and delivery costs account for 35-60% of overall expenses, as per industry estimates.

“On an average, fulfilling an order from a store close to you is about 30% less expensive than sourcing it from a warehouse,” said Bafana.

Real-time access to store inventory will also allow the marketplaces to offer customers the latest in fashion. “Currently, of the fashion products that are listed on ecommerce (marketplaces), 90% is old-season merchandise and only 10% is fresh fashion,” said Fynd’s Shah. “If ecommerce companies integrate store inventory onto their platform, this number can shift to 60-40 in the next 3-4 seasons.”

Shadowfax, an on-demand logistics partner for Paytm Mall and Fynd, “delivers a few thousand orders within four hours, including apparel and electronics,” said CEO Abhishek Bansal. The company also handles two-hour deliveries of electronics and home and kitchens items, fresh produce, and grocery for Amazon Prime Now.

The hyperlocal model mirrors a global trend where incumbents including Alibaba, Amazon, and Walmart are attempting to provide seamless online-to-offline experiences for customers.

Alibaba’s ‘new retail strategy’ includes picking up stakes in retail stores and making their products available on its ecommerce website Tmall.

Seattle-headquartered Amazon, too, is blurring the walls between online and offline retail through its acquisition of grocery chain Whole Foods in the United States and its purchase of a 5% stake in fashion retail chain Shoppers Stop in India.

Amendment to Act: Government planning to revamp GST AAR mechanism	**Financial Express** https://www.financialexpress.com/economy/amendment-to-act-government-planning-to-revamp-gst-aar-mechanism/1195074/

Several states notified formations of AARs according to section 96 of respective State GST Act at the beginning of this year.

The Goods and Service Tax Council would likely amend the GST Act to make it mandatory for the Authority for Advance Rulings (AARs) in states to be manned by senior revenue officials. The idea is to avoid conflicting AAR rulings by its different benches and ensure orders based on sound legal principles. AARs, however, might continue to function without former judicial officers, unlike the previous excise and service tax AARs which were headed by retired Supreme Court judges along with two technical members, officials said.

Several states notified formations of AARs according to section 96 of respective State GST Act at the beginning of this year. But many of the rulings so far have shown a "revenue bias" and have not been robust on legal grounds, experts say. One reason for the trend, it is felt, these benches are without retired judges at the helm.

Further, the sources said, the GST Council may recommend setting up a central body that would adjudicate on conflicting ruling from AARs based in two different states. For instance, ruling on a petition filed by a solar engineering, procurement and construction (EPC) contractor, Maharashtra AAR said such contracts would come under works contract and attract 18% GST while Karnataka AAR ruled that a 5% GST would be applicable for such contracts. A centralised AAR would break the logjam in similar cases, the official said.

An AAR is a quasi-judicial body, and its rulings brings certainty in determining tax liability, which is binding on the applicant as well as government authorities. Further, it helps in avoiding long drawn and expensive litigation at a later date. Seeking an advance ruling is inexpensive and the procedure is simple and expeditious.

Besides, the two member of these authorities include one official of central GST and another from state GST. Here too, the law doesn't mandate appointment of officials of commissioner rank or above and many ruling have been delivered by much junior officials. In earlier regimes, one of the members of the Authority had to be an officer of the Indian Revenue Service (customs and central Excise), who must qualify to be a member of the Central Board of Indirect Taxes and Customs.

"We may increase the designation threshold for the officials and only allow commissioner rank member in AAR. It's acknowledged in the government that some of the rulings are poor in terms of applicability of law, mainly because the members of the AARs are not experienced enough in indirect tax laws," a government official said on the condition of anonymity.

Moreover, Gujarat HC last month admitted a petition and sent notices to central and state governments on setting up these quasi-judicial bodies without the express requirement of a judicial member. Experts have pointed to some ruling where members have relied on FAQs, which have no legal backing. Similarly, some other rulings have failed to take note of relevant documents including press releases from the tax department that already contain clarification on topics under consideration.

“Reins of an erstwhile authority was in hands of a high powered quasi-judicial body headed by a retired judge of the Supreme Court, pronouncing legally sound and fearless rulings. Whereas the new AAR formed under GST, is in the hands of untried and revenue biased tax officer pronouncing rulings contrary to international business practices,” Rajat Mohan, partner, AMRG & Associates said.

Low supply pushes up price in Brazilian cotton market	**Fibre 2 Fashion** http://www.fibre2fashion.com/news/textile-news/low-supply-pushes-up-price-in-brazilian-cotton-market-242612-newsdetails.htm

Owing to lower 2016-17 supply and the slow pace of the 2017-18 harvesting, cotton prices increased in the Brazilian market in May. Between April 30 and May 30, the Center for Advanced Studies on Applied Economics/Luiz de Queiroz College of Agriculture (CEPEA/ESALQ) cotton Index rose 12.3 per cent, closing at 3.7491 BRL ($1.0024) on May 30.

During the month, growers, trading companies and/or traders only had a few batches to offer. Some of them seemed to be accomplishing contracts involving the 2016-17 crop, CEPEA said in its latest fortnightly report on the Brazilian cotton market.

On the other hand, buyers showed interest in new acquisitions in the spot market, even for mixed quality batches. However, only some agents agreed to pay the prices asked by sellers.

In general, processors were finding it difficult to pass on the price rises of raw material to by-products. So, some of them reduced the production pace and worked only with stocked cotton. Others opted for purchasing 100 per cent thread and/or mixed, lowering the needs for cotton.

The May 21 truckers strike, due to rise in fuel prices, hindered transportation, resulting in reduced trade in the spot market.

Meanwhile, data from the BBM (Brazilian Commodity Exchange) tabulated by CEPEA indicates that 75.1 per cent of the 2016-17 Brazilian crop (estimated at 1.529 million tons) had been traded until May 29. Of this total, 61.9 per cent was allocated to the Brazilian market, 27.5 per cent, to the international market, and 10.6 per cent to flex contracts (for exports, but with an option to sell in the domestic market).

For the 2018-19 season, data shows that at least 46.9 per cent of the 2017-18 output (forecast at 1.942 million tons) has been traded. While 46.8 per cent of the sales were meant for the domestic market, 37.5 per cent were for exports, and the remaining 15.7 per cent to flex contracts.