LETTER

CONFEDERATION OF INDIAN TEXTILE INDUSTRY

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News Highlights

NATIONAL

Cotton sector urged to focus on value addition

The entire cotton sector should focus on value addition so that cotton farmers get better returns, said S.K. Sundararaman, chairman of the Southern India Mills Association (SIMA).

Inaugurating a two-day bi-annual cotton conference on “Cotton - The Sustainable Fibre of Future”, organised by the Indian Cotton Federation and the Indian Cotton Association Limited, Bathinda, in Coimbatore city on Friday, Mr. Sundararaman said the government and the textile industry targeted a total business size of $ 350 billion by 2030. Cotton production in the country should double to 600 lakh bales a year for the industry to grow to that level.

Certain fundamental structural shifts were happening in the industry. The manmade fibre sector was making strides in technology and replacing a portion of the demand for cotton. However, there was increasing focus on traceability, environment and sustainability from the customers. So, “It is imperative to go up the value chain,” he said.

The entire cotton sector in the country should showcase to the world that it was producing and using sustainable cotton and realise higher value for that cotton. This would benefit the cotton farmers too, he said.

Atul S. Ganatra, president of the Cotton Association of India, said that while the textile mills in north India consumed about 90 lakh bales of cotton a year, the mills in the south consumed 125 lakh bales and those in the central region consumed almost 115 lakh bales. For the textile mills to run to full capacity, 360 lakh bales of cotton was required every year. Currently, the spinning mills operated at 85% capacity. The industry and trade associations should jointly appeal to the Central government to discourage States from giving incentives to the industry to increase spindleage as it could lead to shortage of cotton, he said.

According to P. Nataraj, Managing Director of KPR Group, cotton was not just a crop but an integral part of the country's identity.

Home

With growth robust, RBI will hold its stance till disinflation is satisfactory

The Reserve Bank of India (RBI) retained the key policy rates in the August 2024 review with the stance remaining unchanged as the global geo-political tensions and economic outlook continue to be volatile. Domestic growth remains resilient despite the food inflation pushing the headline inflation trajectory upwards in June even as the central bank's efforts to anchor the inflation expectations at 4 percent level on a durable basis seem to have entered the crucial phase.

Even though major central banks have succeeded to an extent in their efforts to contain the inflation, the wide spread financial market volatility in the last fortnight has brought the spotlight back on managing inflation without hurting growth. And this is what exactly the RBI is trying to achieve in the Indian context. Fortunately, the prudent monetary initiatives and the government's fiscal support through infrastructure spends have kept the domestic growth momentum resilient. This has been aided by stable urban consumption, manufacturing growth, buoyant services sector and support from the rural areas where the demand is picking up. The robust growth momentum gives the RBI the leeway to focus on price stability, adequate market liquidity and market reforms.

The RBI Governor explicitly pointed out that food inflation contributed to more than 75 percent of the headline inflation in May and June, and remains a crucial factor to monitor. He also pointed out the potential risks of the higher food inflation spilling over into core inflation. The inflation trajectory has already been impacted by the soaring food inflation in June this year which, as per the overall inflationary expectations, can become stickier. Monsoons have been normal thus far and kharif sowing has been good.
The impact of La Nina is yet to play out fully. In terms of systemic liquidity, the central bank has maintained sufficient liquidity to support the ongoing economic expansion besides reiterating its commitment to sustain adequate liquidity.

The Governor did touch upon the currency and the stability seen in the last one year. The recent global volatility has also had some impact on the Indian rupee. Given India's comfortable forex reserves position, the RBI will use buffers to ensure currency stability.

The stability and the healthy capitalisation level of the financial system was also mentioned.

The RBI, however, cautioned on potential challenges from attractive alternative investments to the accretion of stable retail deposits. The central bank has once again emphasised on prudent risk management, a strong monitoring of the credit and end use of funds, the need for a strong business continuity plan in the wake of the recent tech outage, monitoring of lending practices such as home equity loans and gold top-ups and better underwriting practices aimed at weeding out issues that could potentially impact the financial sector.

The message to banks is clear that they must innovate product-wise to garner larger share of the public savings which at the moment seems to be getting channelized into other investment avenues. The banks are facing immense pressure to manage and maintain competitive lending rates that may eventually get passed on to the customers. It is also hindering the banks from sustaining a reasonable credit-deposit ratio with a potential to slowdown system credit growth.

Overall, the RBI has highlighted a divergent policy stance from other central banks, fully committing to support a resilient economic growth with price stability. With an expected GDP growth of over 7 per cent for this fiscal and well into the early next as well, the central bank is going to tread cautiously in changing monetary policy stance and the rate trajectory till there is sufficient evidence of a durable inflation of 4 percent.

Home

‘No Punjab Request For Next-Gen Cotton Seeds’

There is no proposal for research and approval of Bollgard-3 (BG-3) cotton seeds and no such request has been received from Punjab govt, states an answer in Rajya Sabha by Union minister of state for agriculture and farmer welfare Bhagirath Choudhary on Friday. AAP’s Rajya Sabha MP and former cricketer Harbhajan Singh had asked whether govt is working on any proposal for research and approval of next-generation BG-3 cotton seeds, considering increasing pest attacks on cotton crop and whether Centre has received any request from Punjab govt to speed up the approval for BG-3 cotton seeds.

Concerns have been raised over the quality of BG-2 cotton seeds over successive pest attacks, which has made the crop acreage decreasing even less than 1 lakh hectares in Punjab.

Home

MP Garment-Makers Eye Opportunity In B'desh Crisis

The political unrest and uncertainty in Bangladesh has spurred a surge in orders for garment manufacturers in Madhya Pradesh, a hub for large and medium-sized garment units. "From a business standpoint, there is a ray of hope. We have observed an uptick in orders for apparel, and many domestic retailers who were sourcing readymade garments from Bangladesh are beginning to procure more from India. Domestic supply from within the country to prominent clothing brands, retailers, and exports to the United States and Europe have witnessed an upswing," said Shreyaskar Chaudhary, MD, Pratibha Syntex, an apparel manufacturer and exporter of yarn. Numerous clothing brands and domestic retailers have shifted to sourcing apparel from manufacturers in India, propelling local players to enhance capacity utilisation in factories.

Akhilesh Rathi, joint president of Federation of MP Chamber of Commerce and Industries, remarked, "There will be a significant impact on the supply chain into India as well as to the western world. The impact on supply of raw materials like cotton polyester, viscose, yarn and fabrics to Bangladesh will be temporary, but this disturbance may result in many manufacturing units shifting to India in the long run." Garment manufacturers believe India is well-positioned to emerge as an alternative in the garment sector. However, there is concern over delayed payments and consignments stranded in Bangladesh. Severe congestion at Chittagong Port, Bangladesh's primary seaport, and Benapole, the country's largest land port, have left containers of cotton yarn and fabric stranded for long periods, say exporters from MP.Cotton yarn and fabrics, and oil meal are the primary commodities exported from MP to Bangladesh, which emerged as the second-largest importer of goods from MP in 2023 and the first quarter of 2024. MP also exports electric machinery and plastic film sheets to Bangladesh.
According to official data, goods valued at Rs 1,237 crore were exported to Bangladesh during April-June 2024. In the 2022-23 fiscal, exports to Bangladesh from MP amounted to Rs 5,325 crore.
"Eight of my containers laden with cotton yarn are currently stranded at Chittagong Port, and there is ambiguity regarding payment. There are no fresh orders and banks are clueless

about payments. I managed to escape from my office in Dhaka and return to India a week ago. The situation is dire, and industries will require time to get back on their feet," said Pranab Bhattacharya, an exporter of cotton yarn to Bangladesh.

Chaudhary said he has a consignment of four containers of yarn in transit to Bangladesh. It has become a challenge due to violent disruptions, he said. Rahul Mehta, chief mentor of Clothing Manufacturers Association Of India (CMAI), said, "This disruption has an adverse impact on export of cotton yarn from India, although the garment sector will reap substantial benefits as international buyers will turn towards India as an alternative market. Indian manufacturers must now contemplate enhancing capacities to meet the burgeoning demand." Bangladesh's economy is heavily reliant on the textile industry, which accounts for approximately 80% of its exports.

Home

'Low yields have driven cotton cultivation down 12% this season'

India's cotton cultivation has declined and will be down by 10% to 12% this season compared with the last one, said Cotton Association of India president Atul S. Ganatra.

Mr. Ganatra blamed this on falling crop yields per hectare. While the world average is 800 kg per hectare, it is almost half that in India, at about 480 kg a hectare. Indian farmers earn ₹90,000 per hectare a season compared with ₹5 lakhs that their Australian counterparts earn.

Mr. Ganatra told *The Hindu* on Friday that the area under cotton last year was 127 lakh hectares. This has dropped to 108 lakh hectares so far this year.

"Sowing is almost over and we expect it will reach 113 lakh hectares," he said.

The crop size has reduced in the northern region (Punjab, Rajasthan, etc) by almost 35% because of pink bollworm infestation. While in Telangana, it has shrunk by 7% and in Gujarat, the area reduced by 13% to 15% as farmers shifted to groundnut and tur dhal cultivation.

Gujarat's cotton yields slid drastically likely due to irregular rains last year, he said.

The carry forward stock for the next season could be nil. While production is likely to take a hit because of the fall in area under cultivation. Further, the government has increased the Minimum Support Price for raw cotton by ₹500 per quintal for 2024-2025 season. This is likely to raise cotton prices next season, which begins in October, he added.

Home

Textile trade fair in Kozhikode on August 12, 13

The district convention and trade fair organised by the Kerala Textiles and Garments Dealers' Welfare Association (KTGA) will be held at the Calicut Trade Centre on August 12 and 13.

Mayor Beena Philip will inaugurate the fair at 10.30 a.m. on August 12. Noted trainer Pramod P.K. Balakrishnan will speak on the topic 'Family and Business' at 10.30 a.m. on August 13. KTGA president T.S. Pattabhiraman of Kalyan Silks, businessmen Chamayam Bapu, Imbichammad Kallil of Shobhika Wedding Centre, and C. Prabhakaran of Sreekrishna Textiles will share their experiences at the seminar at 2 p.m.

Mr. Pattabhiraman will inaugurate the district convention at 4 p.m., while district president Johar Tamton (Silky) will preside over the event. MLA Thottathil Raveendran will be the guest of honour. State vice president of Kerala Vyapari Vayavasayi Ekopana Samithi P.K. Bappu Haji will deliver the T. Nasarudheen commemoration talk on the occasion. State organiser of KTGA Women's wing Beena Kannan (Seematti) will deliver the keynote address.

Mr. Tamton said the fair, being held for the first time under the KTGA, was expected to offer new insights into textile and garment business. The State committee is organising a fundraiser for the Wayanad landslide victims. A part of the proceeds from the expo will also be used for the purpose, he added.

The expo will feature around 100 stalls by manufacturers, dealers, and wholesalers in the textiles sector. It will be informative to delegates from across the State as well as those in the fashion industry, Mr. Tamton said.

Home

PwC India moots 'Viksit' framework to achieve $1-trillion export goal by FY29

"It's possible to reach $1 trillion mechandise exports by FY29. The seeds have already been sown. Energy, semiconductors, EVs, battery storage…all structures are in place. We need to take macro-image-building to the micro-level. At trade fairs, India's image dwarfs as compared to peers. We need to fix that too." Sanjeev Krishan, Chairperson, PwC India

PwC India has projected that India's merchandise exports may touch the coveted $1-trillion mark by FY29, if the country is able to "iron out" geopolitical conflicts and take actions along a "strategic pathway" in the coming years. This projection, however, considers an "optimistic scenario", under which exports are assumed to grow at an annual rate of 18% till FY29.

In a report, titled "VIKSIT: An approach for India to achieve $1 trillion exports", it cites two other scenarios too – "business as usual" and "conservative" assuming annual export growth rates of 14.5% and 10%, respectively, to achieve the $1 trillion-mark by FY31 and FY33.

The suggestions are made at a time India's goods exports are facing headwinds due to muted growth in world trade, geopolitical issues, disruptions along key sea routes, and lack of incremental gains in export competitiveness in sectors allowing high value addition. In FY24, India's merchandise exports shrank to $437 billion from $451 billion in FY23, with deeper contraction in labour-intensive sectors like textiles and garments. However, in some areas like electronics, the export pace has risen in recent years, although value addition is peripheral. At the same time, the country has been rather nimble-footed in market diversification.

Sanjeev Krishan, Chairperson, PwC India said that India's rise to becoming the fifth largest global economy in nominal terms is mirrored by its increasing share in global trade, driven by a focus on export-led growth. "The VIKSIT framework can be leveraged over the coming years to enable a continuous dialogue on enabling competitiveness across the government and the private sector," he said.

Krishan added that touching $1 trillion exports is possible by FY29 as the "seeds have been sown", for that to happen. "Energy, semiconductors, EVs, battery storage…all structures are in place. We need to take the macro-building image to the micro-level. At trade fairs, India's image dwarfs as compared to its peers…we need to fix that too."

The report highlights five elements that need to be weighed while charting India's export growth journey. While adding scale, India's manufacturing sector also needs to improve its value addition ratio considerably to prevent "commoditisation of the exports basket" and ensure that exports move towards high value-added and emerging segments, the report said.

In addition to product diversification, it is critical to expand India's market access to mitigate market concentration. "It is crucial to push forward on the revamped (free) trade agreement strategy to position Indian products competitively and reduce the burden of compliance and and ensure conformity with non-tariff barriers (NTBs)," the report said.

Also, a key factor for unlocking growth in exports rests with dormant micro, small and medium enterprises (MSMEs). At present, only around 1.36% of India's MSMEs are exporting, the report revealed, in what shows the disconnect between exports growth and MSME's propensity to internationalise. "Challenges along four key areas, namely business environment, export procedures, access to finance, and access to markets and information impact MSMEs' ability to export," the report said.
Further, it will be crucial to enhance and expand the impact of technology. "Technology fossilisation" has impacted export efficiency, product quality and unit production. "Advanced technology adoption in the Indian manufacturing and export sectors has been relatively slow, impacting the ability to cater to international market trends and demand," the report noted.

While the efficiency of Indian ports has seen improvement in recent years, leading to a reduction in cargo turnaround time, this key enabling infrastructure needs further improvement, Krishan said. In 2023, the average turnaround time of containerised cargo from arrival at ports to vessel sail out was about 156 hours, of which about 19 hours were spent in customs processes.

For inland container depots, the turnaround time was estimated at nearly 128 hours, of which 32 hours were spent in customs processes. Thus, considering the growth in containerised traffic owing to exports growth, port authorities will need to envisage both capacity expansion and technology-led customs process enhancement, the report stated. Having storage and warehousing capacity right at the sea ports and airports would help cut logistic costs, Krishan said.

Meanwhile, on the production-linked incentive (PLI) scheme, Krishan said PLI as it stands today aims to increase exports from industries, which are already export-oriented, in a quicker way. There are many sectors where PLI is not adding much benefit, such as EVs, batteries. The PLI should be tweaked in a way that such sectors also benefit, and increase their share in exports, he said, adding PLI objectives could change from one sector to another.

Home

GLOBAL

ICE cotton drops following US export sales report and dollar surge

ICE cotton faced a declining trend after the release of the US cotton export sales report. The market was unsettled due to the export sales data and a stronger dollar index. The US cotton market remained under pressure, with expectations of further declines. Traders are awaiting fundamental factors that could shift momentum. However, the market observed some improvement during today's trading session.
Yesterday, the ICE cotton December contract settled at 67.24 cents per pound (0.453 kg), its lowest level since October 7, 2020. The price dropped to 66.56 cents following the export sales report. It is believed that the strong dollar and technical selling contributed to the price decline.

The US dollar index experienced an upward trend as concerns about the economy eased. US labour market data revealed that the number of Americans filing for unemployment benefits fell more than expected last week, reducing fears of a potential recession. A higher dollar index made cotton purchases more expensive for foreign buyers.

Yesterday, the trading volume was 32,421 contracts, with 27,168 contracts cleared. The inventory of ICE's deliverable No. 2 cotton futures contracts fell to 18,721 bales on August 7.

In the final report of the year, the USDA made a few adjustments. US cotton export sales for the 2023-24 marketing year increased by 190,800 tons, while export sales for 2024-25 decreased by 949,600 bales. Export shipments of cotton in 2023-24 were 738,100 bales, a 6 per cent decrease compared to the previous year.

On the weather front, warmer temperatures and limited rainfall are forecast across much of the cotton belt, which may affect crop conditions in the coming days.

Following the release of improved economic data, equity markets showed a good recovery. Cotton prices may also find some respite from selling pressure, with traders expecting demand to improve at lower levels.

Currently, ICE cotton for December 2024 is being traded at 67.53 cents per pound, up 0.29 cents. Cash cotton settled at 61.29 cents (down 0.68 cents), the October contract at 65.79 cents (down 0.68 cents), the March 2025 contract at 68.96 cents per pound (up 0.23 cents), the May 2025 contract at 70.46 cents (down 0.47 cents), and the July 2025 contract at 71.33 cents (down 0.42 cents). A few contracts remained at the level of the last closing, with no trading noted today.

Home

USDA reports significant cotton carryover & sales shifts for 2024-25

The US Department of Agriculture (USDA) has reported that a total of 979,900 running bales (RB), each weighing 226.8 kg or 500 pounds, of Upland cotton were carried over from the 2023-24 marketing year, which ended on July 31.
According to the USDA's export sales report for the week ending August 1, net sales reductions totalling 949,600 RB for the 2024-25 marketing year, which began on August 1, resulted in increases primarily for India (43,600 RB, including decreases of 8,800 RB), Mexico (40,400 RB, including decreases of 900 RB), Costa Rica (25,900 RB), Turkiye (15,100 RB, including decreases of 800 RB), and Guatemala (5,000 RB). These increases were more than offset by reductions primarily for China (603,200 RB), Pakistan (372,200 RB), and Vietnam (111,800 RB).

Net sales of 11,500 RB for the 2025-26 marketing year were reported for Mexico (4,700 RB), Costa Rica (3,500 RB), El Salvador (2,000 RB), and Japan (1,300 RB).

Exports for the period ending July 31 totalled 738,100 RB, bringing accumulated exports to 11,070,400 RB, a 6 per cent decrease from the previous year's total of 11,777,500 RB. The primary destinations were China (273,400 RB, including 245,300 RB - late reporting), Vietnam (121,900 RB, including 94,500 RB - late reporting), Pakistan (102,300 RB, including 93,700 RB - late reporting), Bangladesh (52,700 RB, including 40,500 RB - late reporting), and Mexico (41,500 RB, including 33,000 RB - late reporting).

Exports for August 1, totalled 21,600 RB, primarily to China (4,600 RB), Pakistan (3,900 RB), Peru (3,400 RB), Costa Rica (2,700 RB), and Honduras (2,100 RB).

Net sales of Pima cotton totalling 7,700 RB for the 2024-25 marketing year were primarily for Vietnam (2,200 RB), India (2,100 RB, including decreases of 500 RB), China (1,600 RB, including decreases of 200 RB), Pakistan (1,100 RB, including decreases of 400 RB), and Egypt (400 RB).

A total of 29,100 RB in sales were carried over from the 2023-24 marketing year, which ended on July 31. Exports, for the period ending July 31, totalled 1,700 RB, bringing accumulated exports to 321,800 RB, a 6 per cent increase from the previous year's total of 305,000 RB. The destinations were India (1,400 RB), Turkiye (100 RB), Thailand (100 RB), and Taiwan (100 RB). Exports for August 1 totalled 1,700 RB, primarily to Peru (800 RB) and China (400 RB).

Home

Welcome to the 'yes, but' cycle of rate cuts

Three decades ago, economics underwent a revolution that doesn't get sufficient credit. Instead of shrouding policy shifts in secrecy, central banks began shouting hikes or reductions in interest rates from the rooftops. Moving by stealth in markets was out. Press releases were in. By amplifying their message, officials hoped to steer the public toward their view. With luck, they could also minimise financial ructions.

Today's crop of policymakers could use some of the same clarity of purpose.

The global economy is on the cusp of a sustained easing, though not necessarily a dramatic sequence of rate cuts. Growth is slowing, but there's no crisis. Critically, price gains are abating significantly and inflation targets are within sight. This ought to be great news, but officials are having trouble embracing the moment. The legacy of "transitory," the now infamous word the Federal Reserve used to play down inflation's climb in 2021, is wreaking havoc. Almost every monetary authority used similar terms.

In a revealing moment during a recent Reserve Bank of Australia (RBA) media conference, Governor Michele Bullock was asked to compare the RBA's hawkish stance with peer institutions that had trimmed rates. What were they seeing that the RBA, which refuses to countenance an easing, wasn't? Bullock was defensive. The Bank of Canada, for instance, wasn't really dovish, merely less hawkish. "They are sort of easing their tightening." The answer was easily caricatured as hair splitting. Bullock was onto something, nonetheless: It's very tough to identify turning points. Ease too soon and the risk is that inflation reignites; delay too long and the desired slowdown can become something more sinister.

The reticence is understandable. After the missteps of late 2021, who wants to be the person to pronounce inflation beat? Bullock reiterated the excessive caution in a speech on Thursday. "I know this is not what people want to hear," she said. "The alternative of persistently high inflation is worse. It hurts everyone." However, the longer she waits to switch to even a neutral stance, the greater the danger Bullock makes a mistake.

Sadly, the last war is still being fought. The wariness was on display at the Bank of England (BoE), whose policy panel lowered rates last week in a 5-4 vote. Unusually, the BoE's chief economist was on the losing side; Huw Pill cited progress on inflation, but warned "it's not yet job done." But surely close enough to warrant some loosening? Inflation is back at the bank's 2 per cent target after reaching double digits in 2022 and 2023. Governor Andrew Bailey, who cast the deciding ballot, appeared uncomfortable with the victory. There's no rush for more relief, he stressed.

Even the outliers are stepping on their narrative. In late July, the Bank of Japan surprised by lifting its main rate alongside a plan to halve its bond purchases. Governor Kazuo Ueda came across as hawkish, contributing to a slump in Japanese stocks and a surge in the yen. The upheaval prompted Ueda's deputy to walk back at least the tone, if not the substance, of the decision just days later. A summary of the bank's deliberations released on Thursday shows officials didn't consider their actions a tightening. That works on one level: Policy is still very accommodative by global standards. Nuance can get lost amid shock, however.

So we have rate cutters who emphasise how tight they really are, and hikers who stress how loose things really are. Both can be true in a narrow sense while obscuring broader trends. Economists are confident the Fed will cut in September and are almost daily adding to the extent of the reductions likely to take place. The Reserve Bank of New Zealand, which openly conceded a recession was required to bring inflation to heel, may act as soon as next week. The Bank of Korea is unlikely to be far behind. Borrowing costs have been coming down in Latin America for some time. Expect hawkish language to accompany these pivots. We aren't sounding the all clear, vigilance is required, and so on.

Hopefully, it won't take a global recession for officials to jettison their inhibitions. For now, let's call it a "yes, but" easing cycle. If subterfuge is necessary to sell what's required, so be it. I'll take that in preference to the alternative.

The third Modi government has quickly moved away from its dismissal of all the Rahul/Congress ideas as unimaginative and useless jokes. It is now implementing several of them. Take for example:

l This Budget makes sizeable allocations and promises to directly address the unemployment challenge. There are incentives for companies to hire more, and a plan for 10 million internships over five years.

l BJP state governments, especially those heading for elections, are already expanding agricultural MSP. The Haryana government, for example, has extended MSP to all 24 major crops in the state from the previous 14.

l If you check out the full-page advertisements in your newspapers these days, you also read a plethora of other freebies in Haryana: LPG cylinders at just Rs 500 to 46 lakh families. A free milk scheme for schoolgirls, waiving of canal water cess.

Home