AUSTRALIA

Experts raise concerns over falling quality of raw wool

Concerns are being raised in Australian wool circles regarding the deteriorating quality of the raw wool coming in to the markets in recent months. Wool traders are noticing that there has been an increase in what is called Vegetable Matter or 'VM' in the recent arrivals of raw wool.

Experts have warned wool growers to be vigilant at shearing time as bad quality of wool leads to discounting on the base price of the raw wool. They say that in previous years the content of 'VM' was not so high, which could raise concerns, but that now, the 'VM' levels are gradually increasing.

BANGLADESH

Spinners agree to keep yarn prices at reasonable level

The country's spinners have agreed to keep the yarn prices at a reasonable level to help stabilise the volatile local market, said Mosharaf Hossain, Director of Bangladesh Textile Mills Association (BTMA).

He said prices of yarn would not increase further in the local market. The millers and garment makers have told us to keep the prices at a reasonable level and we have agreed to do that no scope to reduce the current level of prices.

The country's spinners and textile millers, power loom owners and garment manufacturers had been at loggerheads over the prices of yarn, as the market of the key apparel raw material increased in the country.

Both parties turned to the textile minister amid accusations by the apparel manufacturers and power loom owners that the spinning mills have formed a cartel and are charging excessive prices for their yarn.

India's ban on cotton exports to hit industry

Bangladesh's prime export industry textiles may suffer badly following India's restrictions on cotton exports. Bangladesh buys 30% of its cotton needs from India transported by land, but supplies have stopped after the export ban was imposed, said Abdul Hai Sarker, President of the Bangladesh Textile Mills Association.

He said decision will increase our production cost and also make it difficult for us to reach (send) our products in time to the importers. Textiles, mainly ready made garments, are Bangladesh's main export, generating $15.56 billion or 80% of the country's annual export income in the fiscal year to June 2009.

India, the world's second biggest cotton exporter, stopped cotton exports to cool rising domestic prices, which surged more than 25% since October because of poor harvests and expectations of higher demand.

The export ban will hurt spinning mills and export oriented knitting manufacturing firms, said Kutubuddin Ahmed, a leading exporter of textile products.

Bangladesh fills 60% of its annual demand of 4 million bales of cotton from Uzbekistan, the world's third-largest cotton exporter. It also buys cotton from Russia and U.S.A. worth more than $1.5 billion.

Country turns to Africa to offset Indian cotton ban

Bangladesh plans to make Africa its main import source for cotton after India slapped a ban on export of the textile raw material, sending prices of yarn sky-rocketing in local market, said Commerce Minister Faruk Khan.

Khan unveiled the plan at a seminar in the city where leading cotton growers from Sub-Saharan Africa made the case for importing their "cheap" but "high quality" cotton to offset the fallout of Indian ban.

We will utilise the scope to import low-cost but high quality cotton from the African countries, the Commerce Minister said at the opening ceremony of 'Bangladesh Cotton Marketing and Textile Training Event. Representatives from several African nations are taking parting in the event.

His comments came as the prices of yarn, which is made of spinning cotton, doubled to 90 cents a pound in April, driven by increased global demand and a ban on cotton export by second largest producer India. Bangladesh, which almost imports cent per cent of its cotton from overseas and some 15% from India, has been hard hit by the price hike.

Local spinners were forced to raise their yarn prices to the global level, affecting the knitwear manufacturers - the main users of yarn - at a time when the global apparel market showed signs of turnaround after two years of recession.

Government should allow weavers to import yarn through Benapole

Weavers may be allowed to import yarn from India using the port to stabilise the volatile local yarn market, said Abdul Hai Sarker, President of Bangladesh Textile Mills Association (BTMA). The BTMA has requested the government to allow weavers to import the raw material provided conditions of bonded license are followed as done by the knitters. Earlier spinning mill owners urged the government not to allow yarn import through Benapole Land Port for safeguarding the primary textile sector.

Weavers have long been demanding permission to import yarn through Benapole following dramatic rise in yarn price in the domestic market, but commercial yarn import through the port has remained banned since mid-1990s.

Mr Sarker said the yarn price largely depends on cotton price which increased up to 60% in the international market. The production capacity of the industrial units, especially readymade garment and spinning sub-sectors, has declined by 50% because of acute shortages of gas and power.

The BTMA President said the yarn production capacity of the Bangladeshi textiles mills is 1600 million kg annually, but now the annual production has come down to 800-900 million kg due to severe power and gas crises.

RMG units not ready for Tk 5,000 minimum wage

Most garment factory owners say they are now not in a position to hike workers' monthly salary to minimum Tk 5,000 from the existing pay of Tk 1662.50, said Sector leaders Refayet Ullah Mirdha.

Many blamed the increasing cost of production and buyers' pressure for low price for their inability to execute the minimum salary in accordance with the workers' demand. Over the last month, workers of some factories staged several demonstrations to press home their demand for such minimum pay.

MA Mazed, Deputy Managing Director of Iris Fabrics said that high bank interest on loans, soaring yarn prices and the low CM (cutting and making) charges offered by foreign buyers. He also pointed out that his factory now has to go 30% below its production capacity because of the energy crunch, or low supply of gas and power, and workers' low skills. Meantime, buyers also place fewer orders, as many fail to ensure timely delivery of apparels. As for example, he said, if the previous order was for 10 lakh pieces, it now declines to 7.0 lakh pieces.

Many small factories may face closure due to sudden price hike of yarn in the local market, followed by a hike in raw cotton prices globally.

Abdus Salam Murshedy, President of Bangladesh Garment Manufacturers and Exporters Association, also points to the present adversaries of the industry. The delivery in time is an important factor. Now we are overcoming the aftershock of the severest global financial recession, but energy crunch grips us. As a result, the production falls. Also, workers' inefficiency has contributed to such decline in output.

Despite all these, workers' salary needs to be hiked, as the prices of basic commodities have gone high in the local markets. However, owners will implement the wage as per the decision of the Wage Board.

Fazlul Hoque, President of Bangladesh Knitwear Manufacturers and Exporters Association, also said the sector is not ready now to make the minimum salary at Tk 5,000, as production cost goes high.

BGMEA's President Anwar-ul-Alam Chowdhury Parvez said besides gas and power crisis, the latest yarn price hike in the local market following the price hike of raw cotton in the international market is an additional pressure on garment owners. Nazma Akter, President of Sammilito Garment Sramik Federation, said the demand for salary hike is a logical demand, but the workers must not damage factories.

70,000 bales of cotton output expected in the current season

The country is likely to see around 70,000 bales of cotton production in the current season, as the Cotton Development Board (CDB) has planned to bring more land under hybrid cotton cultivation, said CDB Executive Director Dewan Md Intajul Islam.

He said the use of hybrid seeds would be raised by three times next year and more plain areas of Habiganj and the three hill districts would be brought under its cultivation. He also hoped that they would be able to raise the cotton production to one hundred thousand bales in the next five years by encouraging the farmers for using hybrid seeds. In the 2009-10 seasons, some 31,500 hectares of land were brought under cotton cultivation with a production target of 60,000 bales.

Of the total land, 289 hectares were brought under cultivation of two hybrid varieties-HSC-4 and DM-1. Around 3 tonnes to 3.5 tonnes of cotton are expected to be produced in each hectare (1 hectare=2.47 acres) compared to two tons from traditional CB-9.

In the 2008-09 season, some 32,600 hectares of land were brought under the cultivation from where 50,175 bales of cotton were harvested. In the current season, the farmers have grown hybrid cotton after two local businesses houses-Supreme Seed Company and Lal Teer Seed-began marketing the Chinese variety of hybrid seeds. The quality and market price of hybrid cotton is also higher-Tk 200 to Tk 300 than the traditional one. The hybrid cotton is now selling at Tk 1800 per maund,

But, considering the demand of the country's textile industries, the local producers can meet 3% to 5% of the demand, as the textile sector needs to import around 35 lakh bales of cotton a year, which is around 95% to 97% of the total demand.

CHINA

Fabric output increased in first quarter of 2010

According to the Statistics Centre of China Textile Industry Association, China's national scale enterprises completed fabric output of 4.99 billion meters in March of 2010, and 13.23 billion meters in the first quarter, an increase of 17.64% year on year.

Production of cotton fabrics reached 2.97 billion meters in March 2010, a slight increase compared to 2.92 billion meters in February. National cotton production of scale enterprises fetched 7.82 billion meters in the first quarter, up 34.03% year on year.

Textiles demand picked up from the second half of last year into the first quarter of this year when yarn and cloth production increased significantly while apparel production retained its steady increase. At the same time, imbalance between supply and demand appeared, especially cotton supply has been tight this year. Cotton price continued to move higher all the way. In the coming months, the textile industry will enter traditional off-season period from May to August, production of cotton fabrics may relatively reduce.

In addition, the U.S. market has started to improve, but the European market is yet to resume. Once the debt crisis in Europe spreads, it could aggravate the financial crisis, and this short-lived recovery might disappear. Therefore, in the face of uncertain market outlook, textile enterprises should seize opportunities and realize timely adjustments by making good use of current situation.

Tight cotton supply drives prices to record high

Dealers believe that the supply tight cotton supply could even worsen because of the heavy snow in the country's largest cotton-growing area of Xinjiang in the northwest. This may block transport of the new harvest out of the inland region to consuming provinces in the East.

China's cotton output this year could fall by more than 10% to between 6.5 million and 6.7 million tonnes. Tight supply in China, the largest importer of U.S. cotton, also pushed up New York cotton futures. Tight supply and a low domestic harvest have prompted Beijing to increase import quotas for next year.

Guangxi's textile exports increased

The exports of textile products in South China's Guangxi Zhuang Autonomous Region grew 21.8% year on year to US$390 million in the first quarter of this year. The province's textile exports to ASEAN member countries surged 53.2% year on year to US$260 million in the first three months.

Guangxi exported US$250 million worth of textile products to Vietnam in the first quarter, 60.3% more than in the same period of 2009. In the first quarter, Guangxi's foreign trade surged 59.6% year on year to US$3.82 billion. The province's exports rose 67.1% year on year to US$2.19 billion during the period, while its imports increased 50.4% to US$1.63 billion.

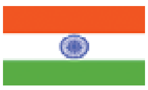
UAE

Textile trade recovering

The textile trade was one of the first industries to flourish in Dubai. It was started in the 1950s by immigrants from all over the world. Like most businesses at that time, the majority of textile traders opened shops near Dubai's original life source, the Creek.

Ashok Sawlani, Chairman of Texmas, a collective of many successful textile traders, had the dream of creating an area where all the textiles stores in Dubai could come together. This dream came true, in the form of Dubai Textile City (DTC).

Texmas is a joint effort between many prominent businessmen in the textile industry including Ebrahim Haji, Suresh Lakhiani, Ramesh Khanchandani, and Esmail Abbassi among others. Dubai Textile City is a joint venture between Texmas and the UAE government. Dubai Textile City is a mini-city near International City that is specifically designed to store and showcase textiles. In DTC the companies do not manufacture garments or accessories; they just import textiles and then re-export them to other parts of the world.



INDIA

Textile exports surge 10%

Premal Udani, Chairman of Apparel Export Promotion Council said he saw a 10% rise in outbound shipments in 2010-11 but cautioned against the adverse impact of allowing unfettered export of raw materials such as cotton and yarn on domestic apparel manufacturing industry, the second largest employment generator after agriculture.

He said unfettered export of cotton and yarn gives business rivals in countries such as Bangladesh, Pakistan and China advantage over Indian manufacturers. This is because Indian cotton is cheaper than global markets and rival manufacturers enjoy higher government support in garment manufacturing. Due to large-scale exports, prices of fabric in the domestic market have increased by about 40%-50% in the last six months.

Garment exports dipped by 11.4% in July March (2009-10) to $9.7 billion, from $10.95 billion in the year-ago period. The apparel industry provides employment to about seven million people, of which half are engaged in the export sector.

Though the government has taken steps such as withdrawal of export sops on cotton yarn, fabric prices are still on the higher side, Udani said. China imported 4.76 lakh tonnes of raw cotton from India between January and March this year, besides cotton yarn worth $5.5 million. Bangladesh also imported a huge chunk of cotton from India during this period.

Apparel exporters urge Govt. to discourage raw material exports

The Apparel Export Promotion Council (AEPC) urged the Government to take more steps to discourage the exports of raw material for the sake of finished clothing products in domestic and exports.

AEPC Chairman Premal Udani said that massive exports of raw cotton and cotton yarn from India to neighbouring countries like China, Bangladesh and Pakistan in recent months have hurt our apparel industry. The government must calibrate exports of raw material to encourage the textile and apparel sector which ranks as the second largest employment generator after agriculture.

Mr Udani said that, though the government had taken some steps in this direction, the ground realities had not changed much. He said fabric prices were still on the higher side when compared to what they were in October-November last year.

In a country like ours where over 300 million people live below the poverty line, emphasis must be put on job creation and value-added segments like apparel exports. At the same time, raw material exports must be discouraged as they take jobs away from our country and create them in competing countries.

According to the AEPC, fabric prices have jumped 40% to 50% in the past six months. Garment exporters cannot pass on these increases to their buyers, said Mr Udani, nor can they absorb them as they are already under pressure due to strengthening of the Indian rupee vis-à-vis the US dollar and the euro. Nearly one-third of garment manufacturing cost is on account of fabric price.

Indian apparel exports estimated to touch $ 9.7 billion in 2009-10 as compared to $ 10.95 billion in the previous year, marking a decline of 11.42%. A 10% growth in the current fiscal year is a very optimistic scenario which may or may not happen, depending on access to raw material at reasonable rates.

The AEPC Chairman called for full refund of taxes including state levies under the duty drawback scheme, duty-free scraps for exports to the United States and the European Union to be raised to five per cent from the current level of 2% and interest subvention for small and medium enterprises to be extended to the apparel sector.

Notification on withdrawal of duty-drawback

The government has withdrawn the Duty Drawback on exports of cotton yarn vide a notification dated 29th April 2010, said Shri V.S.Velayutham, Chairman, Texprocil.

He said that this step on the part of the government is unfortunate with long term implications for the healthy development of the Indian Textile Industry in the future. Withdrawal of Duty Drawback rates on cotton yarn, Mr.Velayutham pointed out is also highly discriminatory as all other export products are eligible for the refunds. It would mean that the product does not suffer any incidence of either Excise or Custom Duty or Service Tax.

Shri Velayutham said that the Duty Drawback Scheme was a time tested scheme aimed mainly at reimbursing the incidence of Customs and Excise Duties levied at the input stage of the product concerned. It was determined on the basis of certain broad parameters including the prevailing prices of inputs, standard input/output norms (SION), share of imports in the total consumption of inputs and the applied rates of duty. Further it is not an export subsidy contingent in law or in fact upon export performance. The WTO Agreement on subsidies and Countervailing Measures (ASCM) clearly permit exemption or remission of prior stage cumulative indirect taxes or import charges levied on inputs that are consumed in the production of the export product.

The country will open itself to fresh Anti Subsidy Proceedings (on the lines of an earlier investigation by EU on Bed Linen) on almost all products of export interest including Home Textiles and Garments whose rates are much higher than cotton yarn, as an impression has been generated that this instrument in some way subsidizes Indian exports.

Cotton farmers smile amid global, local demand and price pickup

After a year of economising, the world is again willing to spend on new clothes, curtains, towels and upholstery. That has created a rich profit opportunity for India's cotton farmers, who are benefiting from brisk exports and rising local prices as textile companies rush to buy raw material.

India is the world's second largest cotton producer. The country's cotton acreage crossed a record 10 million hectares in 2009 despite the poor monsoon, though the dry weather affected yields.

Cotton exports are progressing at a good pace. India has already exported 3 million bales till now mid-way in the season. Last year, India had exported 5 million bales in the full year, said Textile Commissioner AB Josey.

Total exports at the end of the 2009-10 seasons are expected to touch 6.5 million bales, according to officials at the industry body Cotton Association of India. China is India's top customer for cotton, which in turn is the biggest garment and textile exporter to the United States. The USA, the world's top cotton producer, exports cotton to China and imports textiles.

The demand for textiles has recovered sharply in the last few months and companies are ramping up production to meet orders. That has raised the demand for raw material, said a Leading Broker in Mumbai.

The biggest threat to India's exports now is the volatile price of cotton futures on New York Mercantile Exchange. If Nymex futures dip sharply, that would make cotton from the USA, world's top exporter, more affordable for buyers in China as well as Indian textile companies, who might be tempted to import from overseas.

INDONESIA

Half of textile industry's machines to be modernized

The government has allocated Rp 9 billion (US $0.99 million) from its 2010 budget to support the modernization of aging textile and leather machines belonging to small and medium enterprises (SMEs).

One of the biggest obstacles faced by small and medium scale textile and leather manufacturers is the lack of competitiveness of their products due to their aging machinery. This results in low efficiency and productivity of their operations and the low quality of their products, said Director of Clothing Industry within the Directorate General of Small and Medium Industry (IKM) in the Industry Ministry Andang Fatati Nadya.

He said textile and leather players also faced difficulties in sourcing investments for buying new machinery and gaining access to financial institutions. Under a six-year restructuring program firstly implemented in 2009, the textile and leather industries were expected to modernize the machinery of about 80 to 100 plants per year, leading to the modernization of at least 50% of their plants by 2014.

Under the program, the government will provide a contribution of 25% of funds for the importation and 30% for the local procurement of new machines of prices ranging from Rp 40 million to Rp 2 billion each.

Separately, head of the Sub-Directorate of Resources and Financing Facilitation within the Directorate of the Clothing Industry Zulkifli Rasyid said the program would hopefully generate investments of about Rp 40 billion for textile and leather machines.

SRI LANKA

Clothing export sector aims for the stars

The Sri Lankan clothing manufacturing and exporting sector is working towards a sustainable growth by meeting mid and long-term challenges. The immediate challenge in the next five years is to develop backward and forward linkages in the textile value-chain, said Mr Rohan Masakorala, Secretary General of Joint Apparel Association Forum (JAAF), which is the apex body for the apparel manufacturing and export sector in the island country.

He said apparel industry is aiming to reach US $5 billion in exports from the sector by 2015. The major challenges faced by the industry will be to control costs, to operate within the current labour laws and to set up an effective supply chain.

The major challenges faced by the industry to bring growth in exports, in this connection we need to develop trade relations mainly with China, Japan, India, Brazil and also develop trade arrangements, particularly in the North American markets, along with which we need to increase productivity and offer something different in the markets. Sri Lanka is a high quality reliable destination. We have to focus on ethical and green manufacturing, along with which we also need to focus on speedy deliveries.

VIETNAM

Garment sector tops in total exports

The garment and textile sector continues to lead other staples in export turnover, earning more than US$3 billion in the first five months of this year, up 19% compared with the same period last year.

According to the Vietnam Textiles and Apparel Association (Vitas), the garment sector's export turnover is 1.7 times higher than that of crude oil, the second largest foreign currency earner.

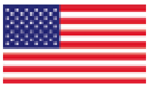
VITAS Chairman Le Quoc An said that the export of garments to key markets such as the US and the EU had increased by 20% and 6%, respectively, driving the whole sector's export turnover during the first few months of the year.

He said garment sector was also one of the first to recover from the global economic crisis. Even in 2009, when the global economic crisis was at its height, the sector still maintained its top spot, with export turnover reaching $9.1 billion, that figure is expected to hit $10.5 billion this year.

According to VITAS, the export of garments will continue to boom this year, as almost every business has a full order book. Several enterprises have also signed orders that will last until the end of the year.

In addition to boosting exports to their traditional markets, including the US and the EU, Vietnamese garment manufacturers are increasing their exports to other ASEAN countries.

Recently, the Viet Tien Garments Company set up offices in Cambodia and Laos and plans to open another in Myanmar in the near future. Several customers from South Korea, Taiwan and Hong Kong have ordered made-in-Viet Nam garments, underscoring the increasing competitiveness of Vietnam's garments in the global market-place.



USA

Knitwear manufacturer expands on Broadway

KBL Group International, one of the largest North American based producers of sweaters, is the latest company in the sector to expand in New York City's Garment District. The company is following in the footsteps of several other expanding knitwear companies by moving into a significantly larger showroom just a couple of buildings away from its current location.

According to a recent Crain's report, KBL has signed a six-year lease for 18,000 square feet of space on the sixth floor of 1407 Broadway, between West 38th and 39th streets. The firm's current showroom, at 1410 Broadway, is said to be slightly more than half the size of its new space of 10,000 square feet. According to the report KBL plans to move into its new quarters in July. Other recent expansions in the knitwear sector include NYC Knitwear and Takeout Sweaters, both of which recently moved to larger premises.

With facilities in Hong Kong, Mexico, and China, and a knitting capacity of 200,000 dozens per month KBL produces for major brands, including Abercrombie and Fitch, Bebe, Victoria's Secret, Nordstrom, L.L. Bean and Liz Claiborne.