

EXTRACT

Content:

- **Cambodia: Exports to Korea jump 80pc**
- **Indo-China border opens for readymade garment trade**
- **Chinese Self-owned clothing brands blooming**
- **Yarn Expo China – a successful event**
- **New markets propel Chinese textile & apparel exports**
- **Vietnam wants low tariff of textiles into the US during TPP talk**
- **Fewer toxic toys and textiles in EU stores**
- **CNTAC : Double Textile Output in A Decade**
- **Go bullish on cotton as expectations of a drop in the acreage for cultivation may push up the price**
- **BBC : The UK manufacturer taking on China**
- **China cotton stocks rise on hopes of higher import quotas**

Cambodia: Exports to Korea jump 80pc

DATE: 2012-05-11

Cambodia's first-quarter exports to South Korea soared nearly 80 per cent year-on-year, driven mostly by garments and agriculture products, but imports still accounted for most of the trade between the two countries.

Total exports to South Korea jumped to US\$30 million for the first three months of 2012, up 76 per cent from \$17 million in the year-ago period, according to data from the Korea Trade-Investment Promotion Agency (KOTRA) in Phnom Penh.

At the same time, Korean imports reached \$130 million from \$101 million, a 29 per cent year-on-year gain, KOTRA said.

Total trade between the two countries in the quarter rose 36 per cent to \$159.9 million compared to \$117.3 million last year.

“We got increases in the garment industry, with around 20 new garment factories from Korea opening in the last year,” KOTRA manager Kim Dohyun said. “That’s the main reason for the export increase.”

Garments and footwear exports were up 204 per cent to \$4.9 million for the period, according to KOTRA.

More Korean investors are eyeing Cambodia as rising labour costs make China and Vietnam less attractive destinations for garment enterprises, he said.

While there have been wage increases in the Kingdom as well, they have not outpaced other countries in the region.

Korea Chamber of Commerce in Cambodia chairman Kang Nam-shik agreed, saying there has been a rush of garment factories to Cambodia over the past six months.

“Cambodia is still attractive for both its labour quality and wages to Korean investors,” he said.

KOTRA’s Kim Dohyun noted that the Kingdom’s resurgent economy and a free-trade agreement between the two countries helped to drive the numbers.

“Cambodia’s economy is growing, and people have money to spend,” he said, adding that the FTA had streamlined the trade relationship.

The Kingdom’s agricultural products also played a role in the growth in trade between the two countries, though these products, such as milled rice and cassava, were just starting to find a market in Korea, Kim Dohyun said.

The Kingdom, meanwhile, imported raw materials for its garment and textile industry, vehicles and foodstuffs, according to KOTRA.

Kim Dohyun did say that the recurring factory strikes could weigh on the industry by scaring away investors.

“If workers are still on strike, maybe it can cause some problems for investors, making them more interested in Myanmar,” he said.

International Monetary Fund deputy managing director Naoyuki Shinohara told the *Post* last month that the opening up of Myanmar’s political and economic systems would put the company in better position to compete with Cambodia for investment.

“Myanmar could provide a very good base for the garment industry,” he said.

Source: CNTEX

Indo-China border opens for readymade garment trade

DATE: 2012-05-11

Garments have now been included in the revised list of tradable items through the Indo-China border, issued by the Director General of Foreign Trade (DGFT), Ministry of Commerce & Industry, Government of India.

It is for the first time that the items for exports and imports between the two countries have been increased after the opening of the Nathu La trade route in Sikkim.

Seven new items in exports and five new items in imports have been added to the earlier list of tradable items under the Foreign Trade Policy 2004-09, taking the total number of items that can be imported and exported to 20 and 36, respectively.

Readymade garments and handloom and handicraft products are among the items that can now be exported from India to China through the border route, whereas readymade garments, quilt/blankets and carpets are among the items that can be imported by India.

The items of import and export through the Indo-China border have been increased in response to the demands of the local people, BK Kharel, Secretary, Ministry of Commerce and Industry, Government of Sikkim, said.

The revised list of tradable items would enter into force as soon as the border trade resumes on May 21, 2012. The border trade is currently stopped owing to heavy snowfall in the region, which has blocked roads.

The items that were earlier allowed to export through the border, including blankets, clothes and textiles as well as items that were imported, including wool and goat cashmere, would continue to be traded, the DGFT notification said.

It added that the border trade will continue only through three Land Customs Stations, viz. Nathu La in Sikkim, Gunji in Uttarakhand and Namgiya Shipkila in Himachal Pradesh.

Source: Fibre2fashion via CNTEX

Chinese Self-owned clothing brands blooming

DATE: 2012-05-11

Nearly 100 events like 20th China International Clothing & Accessories Fair (CHIC2012), 8th China Annual Award for Clothing Brand, 2012 China International Fashion Week and China Clothing Forum were held one after another in Beijing during the last ten days of March, with assembly of the major-brand enterprises both at home and abroad. It is delighted that with the deep development of the economic globalization and international labor division, the self-owned brands in the Chinese clothing industry are blooming.

"Just as the subject of Leaping-forward, the Chinese self-owned clothing brands are speeding up the transformation and making efforts for further improvement", said by Wang Zhuo, general secretary of China National Garment Association.

"All flowers blooming together", the general brand strength has been enhanced.

The clothing enterprises have entered from the primary phase of product sales to the comparatively advanced phase of cultural sales.

Over 1000 clothing brands from 21 countries and regions participated in the CHIC2012 from March 26 to 29. Among them, there were about 600 self-owned brands with their exhibition stands distinguishing from each other, some magnificent, some fresh and natural, in order to highlight their special styles through the exhibition.

China Annual Award for Clothing Brand held during the same period reflected more about the enhancement of the self-owned clothing brand value. Totally in the previous seven awarding events, 112 brand enterprises were nominated and 44 won various awards. According to the standard in 2011, this number of 112 previous nominated enterprises accounts for only 1 percent of the 10,400 enterprises of above designated scale in the whole industry with the comprehensive value for a single clothes being 2.77 times of the average unit price in the industry; the sales volume accounting for 20 percent of that of all the enterprises of above designated scale; the yield of a single enterprise being 4.35 times of the average; and the revenue from main business for a single enterprise being RMB 1.353 billion Yuan, 11.37 times of that of the enterprises above designated scale.

Wang Zhuo said that currently, the gradual increase of the domestic market demand brings an important development opportunity for Chinese clothing industry. The clothing events in the first quarter fully reflect the innovation spirit of the Chinese clothing brand and the importance attached to the development of the self-owned brands. The clothing enterprises have entered from the primary phase of product sales to the comparatively advanced phase of cultural sales and owned the concept of creating an overall Chinese brand. He also pointed out specially that the Chinese-owned clothing brands have sped up the process of the globalization of market and resource integration and transferred the development of industrial chain from the domestic market to the transnational one.

"One brand with multiple products", the potential of segment market is dug.

For multiple-brand operation, it requires the specific coordination and work division so as to make full use of the existing resources and channels of the clothing enterprises.

Red Dragonfly, used to produce leather shoes, begins to manufacture clothes recently. Man clothes of Red Dragonfly Fashion Group appeared in the 2012 China International Fashion Week for the first time, which means the acceleration of the "one brand with multiple products" development strategy by Red Dragonfly Fashion Group.

Due to factors like low channel inventory, large price space and consumption upgrading in small and middle cities, man clothing market is considered with a large development potential. A lot of clothing brands step into the field of man clothing with the hope of taking the lead in the subdivisional market.

Top 5 man clothing brands under Youngor, a leading man clothing enterprise, made a joint exhibition on the site of CHIC2012. Among them, GY, created in 2009 and oriented to the growing elite group from 25 to 35 years, caught the eyes of visitors. Li Rucheng, president of Youngor, says that GY has not merely sought for expanding scale but pay more attention to overall brand enhancement. With sales amount over RMB 100 million Yuan in 2011, the brand owns over 100 shops in the whole country. It will open image shops and flagship shops in the major first-line cities.

Wang Zhuo says that it has become a common choice for clothing enterprises to subdivide the market by means of "one brand with multiple products". "The strategy to develop multiple brands is helpful to deepen the market and expand the sales volume". However, Wang also warns that for multiple-brand operation, it must do a good job in the specific coordination and work division so as to make full use of the existing resources and channels of the clothing enterprises rather than to increase the brand number blindly so as to avoid from the conflict among the self-owned brands and channels.

"Regional cooperation", to learn to make use of various resources.

The clothing industry is no longer a simple manufacturing industry but endowed with the fashionable and innovative culture.

Joint exhibition of regional brands is also a highlight in CHIC2012. Twelve famous clothing enterprises from Henan Province appear together like leading-show-Msuya, Yerad, Yiyang and Dusen. Dalian and Chongqing also played a "regional card".

"The clothing industry is no longer a simple manufacturing industry but endowed with the fashionable and innovative culture. The development of clothing industry does not only increase employment and profit, but also create a perfect cultural atmosphere for a region". Wang Zhuo said, due to the large potential in the domestic market, the clothing industry has attracted more social capital in recent years.

A staff in Everbright Securities talks to the reporter that "we are optimistic for the investment prospect in the clothing industry, a moderate substantial industry, and have made investment in some enterprises. We hope to find some new brand enterprises with development potential in CHIC2012 and help them to step into the capital market".

Due to the drive of brand upgrading, the clothing enterprises are much enthusiastic about being listed and IPO of the clothing enterprise also enter the "period of blowout". According to the data released by China Securities Regulatory Commission, 8 clothing enterprises are waiting to be listed in main board of A Share to the end of March 8, 2012. However, the data also indicates that clothing enterprises felt difficult in being approval for IPO in A Share in 2011. Six were rejected among 11 clothing enterprises applying for IPO, with the passing rate only 45 percent.

Wang Zhuo said "there is a relatively complete operational requirement for enterprise IPO. Most clothing enterprises in China are private family enterprises and need to be regulated and improved in the internal management structure. Therefore, listing of the clothing brand enterprises can acquire capital support for further expanding scale and enhancing the brand value, and can also help enterprises to regulate operation and enhance management".

Source: CE.cn via CNTEX

Yarn Expo China – a successful event

DATE: 2012-05-10

For three days from 29 March 2012, more than 4,500 buyers from 44 countries and regions sourced from an international group of upstream fibres and yarns suppliers at the 17th edition of Yarn Expo China.

"Fuelled by rising labour and materials costs in China, international cotton yarn and fibre related suppliers are finding the market in China very lucrative right now," said Wendy Wen, Director for Trade Fairs, Messe Frankfurt (HK) Ltd. She added: "Domestic fabric suppliers are now more willing to look for higher quality imported yarns which are more competitively priced than domestic manufacturers."

Amit Ruparelia Chairman for TEXPROCIL (The Cotton Textiles Export Promotion Council), the India pavilion co-organiser at this season's show was equally as optimistic in regards to the Chinese buyers. "We could see the maturity level of the trade visitors has tremendously improved over the past five years, and for the first time in China, we noticed that visitors were highly conscious of quality rather than lower prices.

Another important change was that almost all of the serious business visitors came with their own English speaking translator for easy communication with the exhibitors. That shows the seriousness of the buyers. At the present level of demand and supply, Indian companies will surely return to Yarn Expo Shanghai and Beijing for the next few years, mainly to showcase their continued presence in the market."

Nearly 150 suppliers from 11 countries and regions featured a great variety of natural fibres and yarns including cotton, wool, flax/ramie specialty products; elastic, fancy and blended yarns as well as regenerated and synthetic man-made fibres.

Return exhibitor, Hussain Mills Limited presented their line of 100% cotton siro spun yarn in a larger booth this season. "China is a big market, and this show gives us direct access to the end-users," commented Syed Wagas Khaleel, General Manager Marketing for the company that is based in

Pakistan. He added: “We’ve met with many knitting garments and towel manufacturers, giving us the extra benefit of bypassing traders and agents.”

More than 75 percent of the buyers represented manufacturing companies of woven fabrics, knitted fabrics, knitwear, hosiery & socks, and home textiles while the remaining buyers represented garment factories, import & export corporations, and wholesalers.

For the first time Linificio E Canapificio Nazionale SpA brought their pure linen yarn and cashmere/silk blend collections produced in Italy to China. “We’re very happy with the results at this fair and certainly hope to return with a better booth next season,” praised Xu Kui, Business Export Manager for Normlin, a Beijing based trading company representing the Italian brand.

Many exhibitors spoke optimistically of business conducted on-site. “This is our third time participating and we’re always pleased to be here. Business is good, in fact we’ve already confirmed three orders,” said Surachai Wong, Director for Aswakowit Co Ltd from Thailand, a supplier that manufactures cotton, polyester and viscose yarns.

“I am pleasantly surprised to see that business has drastically changed here in China,” said Dinesh Mauja, Vice President Marketing for Alps Industries Limited, who took a five year hiatus from participating in any trade fairs outside of India. “So far, the response has been very good. Buyers are quite strong in negotiations and very knowledgeable in the quality of products – it’s certainly important for us to be here and we hope to come back.”

Exhibitors and visitors also felt that they benefited from the concurrent events held in Beijing. “It’s been a good opportunity for us to reach a much wider buying market with the two events held at the same time, which is why we decided to host a presentation and introduce our new SPH products,” commented ZhiJun Tao, Deputy General Manager for Nantong Yong Sheng Fibre New Material Co Ltd.

Visitors were equally as impressed. “With the free shuttle bus services provided between Intertextile Beijing Apparel Fabrics and Yarn Expo Spring, I have been able to visit both shows,” said Cleto Barberis Organista for Dessytl Desginers & StilystsTextile Associated, Italy who also noted that the events were a good place to find new business partners in China.

Messe Frankfurt is Germany’s leading trade fair organiser, with 457 million euros in sales and more than 1,769 active employees worldwide. The Messe Frankfurt Group has a global network of 28 subsidiaries, five branch offices and 52 international Sales Partners, giving it a presence for its customers in more than 150 countries.

Source: CNTEX

New markets propel Chinese textile & apparel exports

DATE: 2012-05-10

China's textile and garment exports reached US \$50 billion in the first quarter of this year, up a marginal 3 percent from the same period of 2011.

The slowdown witnessed in China’s traditional markets like US, EU and Japan was compensated by marvelous growth rates posted in new markets like ASEAN, Africa, Latin America and Middle East last year.

Share of Chinese textiles and apparels in the three markets of EU, US and Japan fell 1.4 percent, 1 percent and 2.2 percent, respectively in the whole of 2011.

However, this was compensated by export growth to ASEAN which grew 34.1 percent last year, to Africa increased by 25 percent, to Latin America grew 38 percent and those to Middle East grew 27 percent.

Among them, the ASEAN has become one of the major markets of China's exports of textile and garment intermediate goods.

Source: Fibre2fashion via CNTEX

Vietnam wants low tariff of textiles into the US during TPP talk

DATE: 2012-05-09

Trade officials from nine dynamic Asia-Pacific economies begin 10 days of talks today in Dallas, Texas, hoping to finalize the Trans-Pacific Partnership pact by the end of this year. President Obama has said the deal will be "a model not only for the Asia-Pacific but for future trade agreements." Perhaps, but the president's ambitious Asian agenda has run smack into protectionist lobbying back home.

The White House is demanding TPP partners, chiefly Vietnam, agree to new rules that would bring transparency and market-oriented efficiencies to their inefficient (and often corrupt) state-owned enterprises. SOEs are indeed a drag on Vietnam, comprising around 38% of the economy. Prime Minister Nguyen Tan Dung has struggled with the problem for years with little result.

Though the U.S. is pushing Vietnam to help itself by reforming SOEs, Hanoi wants something in return. The country is America's second-largest supplier of clothing, and Mr. Dung's trade negotiators insist the U.S. get rid of high tariffs on clothing and footwear, which generally range from 18% to 36%.

This is a chance for Mr. Obama to live in a "21st century economy," as he often says. Unfortunately, he seems to be caught in 18th century mercantilism.

The American president is in tight with the U.S. textile lobby, which supported him in 2008. The industry has benefited from high tariffs and various protectionist schemes since the 1700s. So U.S. trade negotiators have taken a hard line against liberalizing the U.S. rag trade. The Vietnamese know a double standard when they see one, and are incensed. No deal on market access for us, no deal on SOEs, they say.

Here's how the debate plays out in Washington. On the "21st century" side are the mainstays of the American economy. Giants like Boeing, General Electric, Intel, Microsoft, New York Life, Citi and Federal Express strongly support a TPP that would write new competition and transparency rules for Asian government-run corporations. Opposing the TPP deal is one shoe manufacturer in New England that employs about 1,200 Americans, New Balance Athletic Shoe, and a handful of mid-sized textile manufacturers in the American south.

The giants of American manufacturing and finance, which have major offshore operations, can't get serious consideration from this White House. Mr. Obama—the "Buy American" candidate—stands behind any company like New Balance that vows to keep jobs at home.

New Balance's advertising boasts that it remains "the only athletic shoe manufacturer still making shoes in the U.S." It has five factories in Maine and Massachusetts run by a handful of dedicated American workers who are fearful that getting rid of protective tariffs would throw them out of work.

But behind the pro-American propaganda is a harder economic truth. New Balance makes 75% of its shoes in places like Indonesia and China, even some in Vietnam. The remaining 25% come from the New England factories. But most of those sneakers aren't really "Made in America," but "Made in the U.S.A. of Imported and Domestic Components," as the technical label reads. To be the former, at least 70% of the sneakers must be made from components sourced domestically. Company officials declined to comment or provide a detailed breakdown of their Asian-made components.

This much is clear: New Balance imports shoe parts from Asia and then has their American workers glue the shoes together. Without imported components, the American workforce couldn't make shoes at a competitive price.

Why is New Balance against giving Hanoi trade concessions? Its operations in Vietnam are tiny compared to elsewhere in Asia. But tariff cuts would give a big boost to its competitors, Adidas and Nike, which have significant footprints in Vietnam.

The company's patriotism feels even flatter if you consider Nike and Adidas, which unashamedly manufacture their footwear in Asia, together employ some 27,000 Americans. This highly paid workforce in marketing, logistics, design and advertising is 22 times New Balance's American presence.

Not that New Balance is alone in putting phony nationalism ahead of free trade. The National Council of Textile Organizations, whose members are mostly mid-sized textile producers in the American south, has persuaded the White House to insist that all TPP partners agree to "yarn-forward rules of origin" for their clothing and footwear exports.

This means TPP signatories will only qualify for tariff concessions for their exports to the U.S. if they buy their yarns and fabrics from TPP member countries. Translation: The yarn-forward rule of origin would require clothing exporters like Vietnam and Malaysia to buy American, not Chinese fabric.

This mirrors requirements American officials have inserted into preferential trade pacts with Latin America, which has propped up niche markets for the U.S. rag trade. Similar stipulations the U.S. has obtained in other trade pacts, notably with Singapore and Australia, have protected the Latin niches, while not expanding the U.S. rag trade across the Pacific.

To be fair, Mr. Obama also is hardly the first U.S. president to bow to domestic textile interests. But with the TPP, he's demanding America's trading partners summon the political will to dismantle their protectionist rackets. As long as he's unwilling to do the same, we shouldn't expect much progress toward this trade agreement.

Source: Wall Street Journal via CNTEX

Fewer toxic toys and textiles in EU stores

DATE: 2012-05-09

AFP - Europe last year saw its first drop in the number of toxic toys and skin-irritating textiles stacked on its supermarket shelves, more than half of them made in China, the EU said Tuesday.

Thanks to better policing and improved cooperation with China and others, the number of unsafe products banned, withdrawn, or recalled from consumers, dropped 20 percent in 2011 to 1,803 items compared with a 13 percent increase the previous year.

"The fact that fewer dangerous items enter the EU market is good news for consumers, but we must remain committed," said Health Commissioner John Dalli on presenting the European Union's latest report on efforts to enforce product safety.

Removing life-threatening goods from the EU is achieved under a 2004 rapid alert system known as RAPEX, enabling information on dangerous products to circulate swiftly across the 27-nation bloc, plus Iceland, Liechtenstein and Norway.

Up to 100 million euros (\$130 million) and 6,000 inspectors have been committed to the bid to remove dangerous non-food products that resulted in 2011's first-ever noted drop in notifications.

While more than half the items reported as potentially dangerous came from China, notifications on Chinese items too dropped, representing 54 percent of all notifications in 2011 against 58 percent the previous year.

But the European Commission underlined that "this still very high number" was linked to China's high market penetration in Europe.

"The consistent intensification of contacts with the Chinese administration and businesses is yielding significant returns," it said.

While the majority of risky products were made outside Europe, in China and Turkey, 19 percent were EU-made, including three percent that were of French origin, three percent of German origin and two percent from Italy.

The most frequently reported dangerous goods were clothing, textile and fashion items -- accounting for 27 percent -- followed by toys at 21 percent and motor vehicles at 11 percent.

A total 16 countries reported fewer dangerous products last year, but five nations accounted for 47 percent of all reports to RAPEX -- Spain, Bulgaria, Hungary, Germany and Britain.

Did this mean there were more unsafe products in those countries?

"There may be many reasons", the EU report said. "European countries which have the biggest markets and the greatest number of imported goods, and which also have the highest number of inspectors, find more dangerous goods."

Source: CNTEX

CNTAC : Double Textile Output in A Decade

DATE: 2012-05-09

Chinese textile producers aim to more than double the country's textile output by 2020 from the 2010 level, according to a 10-year plan from the textile industrial association released Tuesday.

The textile industry is planning to increase textile and clothing exports by an annual rate of about 7 percent and boost the export value of fiber products to 400 billion U.S. dollars by 2020, said a 10-year development plan approved by China National Textile and Apparel Council(CNTAC).

Rising demand for fiber products will accelerate the upgrading and transformation of the textile industry, and further boost innovation and branding to drive high-end industrial development, said the CNTAC.

The CNTAC expected Chinese urban citizens' average spending on clothing to grow by an average 12.5 year-on-year in the 2011-2020 period, while that of rural residents will increase by 15 percent annually.

In 2011, Chinese urban citizens spent 1,674.7 yuan (265.8 U.S.dollars) on clothing per person, up 15.95 percent from the 2010 level, while rural residents' spending increased 29.5 percent year-on-year.

Du Yuzhou, honorary president of the CNTAC, said the industry still needs to up its innovation capacities.

More advanced technologies will be introduced to transform the traditional textile industry and more efforts will be put on the design, research and development of new products, according to the CNTAC.

The CNTAC will target cultivating leading brands in the industry, which are expected to account for more than 30 percent of the sales of above-scale enterprises, and more than 50 percent of their total profit by 2020.

Textile producers are also eyeing a more low-carbon and sustainable development pattern and they aim to reduce the industry's energy consumption per unit of industrial value-added output by 20 percent by 2015 from the 2010 level.

Source: CNTEX

Go bullish on cotton as expectations of a drop in the acreage for cultivation may push up the price

DATE: 2012-05-08

By Naveen Mathur, Associate Director, Commodities & Currencies, Angel Broking

Cotton is an important cash crop, which not only satisfies consumption needs but also generates revenue, thereby contributing to the world economy. It is one of the largest traded commodities, with over 150 countries involved in the world fibre trade. In India, the first seeds of commodity futures market were planted with the launch of cotton futures in 1875.

Cotton, grown mainly for its fibre, is commonly used as a raw material for the textile industry, which employs over 35 million Indians. It contributes around 3% to the country's GDP, 14% to industrial

Source: China Textile Network Company

production and accounts for over 27% of foreign exchange earnings. The cotton ball also has a seed, which is crushed to get oil and meal.

Globally, cotton markets are influenced by three nations-China, the largest producer (27%), consumer (40%) and importer (38%), followed by India and the US. The global cotton consumption has witnessed a modest growth of about 2% (CAGR) for over a decade and it stood around 26 million tonnes in 2011-12. It grew due to the increased consumption by developing nations, mainly China and India, the result of rising population and increasing wage levels.

China and India accounted for over 33% share in global consumption during the 1990s and currently have more than 58% share. On the supply front, the global cotton production averaged around 20 million tonnes in early 2000 and witnessed a whopping growth after 2004-5. Currently, it is around 27 million tonnes due to increased production in India, thanks mostly to the genetically modified cotton seeds or Bt cotton.

India is the second largest producer (22%), consumer (18%) and exporter (15%). Despite the country holding the largest share of 30% in world cotton acreage, its yield, at 529 kg/hectare lags drastically behind both the Chinese yield of 1,310 kg/ha and the world average of 774 kg/ha.

Nevertheless, the country witnessed a sharp rise in yield after the widespread introduction of Bt cotton in 2002-3, which transformed its status from that of a net importer to net exporter.

During the past 10 years, domestic production has surged dramatically by around 153% or 5.8 million tonnes to 34.7 million bales in 2011-12, while domestic consumption has increased by 54% or 4.4 million tonnes to 26 million bales. However, the export figures have been fluctuating depending on the production figures for that particular year.

Last year was a remarkable one for cotton, with the ICE (Inter-Continental Exchange) cotton futures surging to its highest in 140 years. It rose to 215 cents per pound in March 2011 due to low global supply. On the NCDEX too, kapas prices had surged by more than 55% during the period from October 2010-March 2011.

Since the beginning of the crop year in October 2011, kapas prices have been on the upside because of delay in arrivals, hoarding by farmers and, more recently due to robust exports that have crossed 11 million bales in the current season so far. Considering the demand-supply gap, the Indian government has suspended further export of cotton, which has led to some correction in the prices.

In the medium term, cotton prices will remain bullish as ending stocks for the next season are expected to fall drastically to 2.5 million bales. Further, the area under cotton is likely to decline in the next season because of a shift to more remunerative crops like soybean in Maharashtra, guar seed in Rajasthan, etc.

On the global front, the US and China may see a drop of around 11% and 16%, respectively, in the area under cotton cultivation in 2012-13, which may lead to a lower output, keeping the sentiment firm in the medium term.

Tips for first-time investors

Closely monitor the demand and supply fundamentals of the major producer and consumer countries, changes in government policies, and flow of arrivals. Prices may also take cues from various releases like the monthly USDA crop report, estimates of Cotton Advisory Board, and weekly export sales of the US. Since cotton is a kharif crop, sowing in India will commence in June, so keep a watch on the weather conditions.

Trading strategy

The NCDEX Kapas prices are currently trading at about Rs 1,110 per 20 kg and are expected to trade at Rs 975-1,228/20 kg in the medium term. The MCX cotton prices are trading at around Rs 18,000 per bale and are likely to hover in the range of Rs 16,500-19,500 per bale in the medium term.

Source: CNTEX

BBC : The UK manufacturer taking on China

DATE: 2012-05-08

For years, companies have been shifting manufacturing to China attracted by the cheap labour, but wages and costs are escalating, and for one businessman at least, investing in British manufacturing has become an increasingly attractive option.

On a recent trip to his cushion factory in China, Liverpool businessman Tony Caldeira was confronted by Xiao Qi, one of the local workforce.

She was not happy that she had only been offered a 30% wage increase and told him it was not enough.

"If we're going to be as busy as last year, then I think I cannot accept this. If you want to find another worker, that's fine," said Xiao Qi calmly.

Rising aspirations and soaring costs in shops are motivating Chinese workers like Xiao Qi to demand higher pay.

"She's actually wanting a 50% pay rise in essence," said Mr Caldeira, "and basically sticking a gun to my head and saying: 'Well if you don't pay me 50% more, then I'm off somewhere else.'

"In the UK warehouse, if somebody came to me and said I want a 25% pay rise, they'd be on the next bus back to Kirkby, it just wouldn't happen.

"Because there's another 100 people waiting to take their place. It's not like that here."

Family firm

Mr Caldeira began work on the family market stall selling cushions in the mid-1980s aged 15 and helped grow a successful company with two factories - one in Kirkby on Merseyside and one in nearby St Helens.

But about 10 years ago, he closed the factory in St Helens with the loss of about 100 jobs.

"It was a question of survival," he said.

"We actually had the cheapest cushions in Europe, and then literally within a matter of three or four years the Chinese competition could sell products more cheaply than we could even make them.

"If we hadn't reacted, we wouldn't be here now because the company would have gone bust."

He moved half the business to Zhejiang province in China, attracted by the low costs of the local labour market in China's textile capital - the Hangzhou Bay region.

Workers would travel thousands of miles to seek job opportunities, often sleeping at the workplace in basic accommodation and only visiting loved ones back home once a year.

This skilled but cheap manufacturing workforce and close proximity to shipping routes in an internationally recognised textiles region made manufacturing in China extremely competitive.

The business grew and was moved into a large purpose-built new factory.

At the peak Mr Caldeira was employing 200 people. But in the last eight years, basic pay has risen from 20 pence per hour to £1 (\$1.60). The workforce has been reduced to 50.

At a recent employment fair in Hangzhou, Caldeira was one of dozens of textile factory owners all offering similar jobs, with potential workers haggling over the basic wage on offer, secure in the knowledge that their skills were now highly valued.

"In the UK there are more workers than jobs. In China there are more jobs than workers," said Mr Caldeira.

"You've got literally millions of people who have the opportunity of choosing which place to go to, which factory to actually work in."

Made in the UK

Set against a backdrop of Chinese inflation and the rising costs of shipping goods globally, he believes the investment landscape has changed radically.

Another factor is the quality of the workforce.

Whereas the cushion factory in China produces cheaper cushions, the Kirkby factory offers high-end, hand-finished products, often ending up on the shelves of well-known department stores.

"Productivity in the UK factory is much higher than it is in the Chinese factory," said Mr Caldeira.

"My UK staff tend to have a longer attention span and they are able to focus for a longer period of time, whereas in China they tend to work for longer hours but don't tend to do as many products per hour."

At a recent textile trade fair in Frankfurt, Germany, it was the higher-quality products that were selling best.

The biggest order, worth several hundreds of thousands of pounds, came from a large chain of US stores which wanted a product made in the UK.

"The UK product in the States adds value just because it's made in the UK. The customer sees value in that," said Jessica Lewis buyer for TJX, the parent group of TK Maxx stores.

"We do buy a lot from China, it sells quite well, but the stuff we get from the UK is specific and it's more fashion driven."

Minimum wage

Costs have converged as well.

A year ago, one particular cushion cost 55 pence less to manufacture in China than in the UK. This year the difference is down to just eight pence.

But recruiting for factory work in the UK is a challenge.

Pay is at or close to the minimum wage and it is hard to recruit and hang on to a skilled labour force.

ony Caldeira recently hired 17 new members of staff in a variety of jobs in his Kirkby factory, but five quickly left.

"It is frustrating when people are very positive and tell you 'I want to learn how to do this, I want to do a full-time job' and then after two or three weeks just leave and go somewhere else," he said.

"In many ways, a lot of our workforce is getting older and a lot of the skill bases are getting older as well.

"We're getting to the point where we need to get some younger people in to the industry, in order that we have a long-term sustainable future."

But whereas Mr Caldeira used to believe all his manufacturing would end up in China, now he sees things differently.

"I still need a business in China, but not the kind of business that I envisaged say five to 10 years ago when I thought it was all going to go over to there.

"People would say China was the cheapest place in the world to manufacture. It isn't any more. So the fact of the matter is fairly simple, China isn't going to dominate the world's manufacturing forever."

Source: BBC via CNTEX

China cotton stocks rise on hopes of higher import quotas

DATE: 2012-05-08

Cotton stored at Chinese bonded warehouses has risen to as much as a million tonnes after merchants stocked up with cheaper overseas supplies in anticipation of Beijing raising import quotas, trade sources and analysts said on Thursday.

China, the world's top cotton buyer, may issue a new batch of quotas for as much as 1.5 million tonnes by May to help textile mills secure cheaper cotton overseas, since Indian supplies are currently about 15 percent cheaper than domestic cotton, they said.

Expectations of higher imports have helped push down China's cotton futures on the Zhengzhou Commodity Exchange, with the most-active September contract down over one percent so far this week and on track for its worst weekly loss in five weeks.

"There is a large volume of cotton stockpiled at bonded warehouses and textile mills have been pushing the government to issue more import quotas," said Dong Shuzhi, director of the cotton department at Founder Commodities Group, a Chinese trading house.

"There are now growing expectations from the market that Beijing will agree to issue more quotas."

Despite lacklustre demand at home, China's cotton prices are now the most expensive in the world at over 20,000 yuan (\$3,200) a tonne, thanks to Beijing's deliberate stockpiling campaign aimed at shoring up prices.

The buying blitz, which began in September and lasted for six months, saw the government sweeping up 3.13 million tonnes of cotton - nearly half of the country's 2011 harvest.

Cotton stocks at bonded warehouses - which allow goods that have arrived in China to delay the assessment of a 17 percent value-added tax - are hovering at between 500,000 and one million tonnes, according to industry estimates.

Source: CNTEX