



INTERNATIONAL COTTON ADVISORY COMMITTEE

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May 5, 2005

The 10th Meeting of the ICAC Private Sector Advisory Panel (PSAP) was held on Thursday, May 5, 2005 in Phoenix, Arizona, USA on the margins of the 81st meeting of the American Cotton Shippers Association (ACSA). Ms. Christine Campbell, Executive Chairman, Twynam Agricultural Group, and Bobby Weil, Weil Brothers-Cotton, were in attendance. Other members of the private sector in attendance included John Beck, Director General of the International Cotton Association (ICA), Peter Wakefield of Wakefield Inspection Services, Nick Hungate of Rabobank and Neal Gillen from ACSA. Allen Terhaar and Gary Adams of the National Cotton Council of America participated in the second half of the meeting.

Involvement of China (Mainland) in the ICAC:

Members of the private sector emphasized the importance of increased involvement of China in the ICAC. The executive director was urged to continue efforts to include representatives of China in the agendas of plenary meetings and on ICAC expert panels and work groups. While there is strong interest in having China join the ICAC, members of the private sector cautioned against abandonment of principle and emphasized that the ICAC must remain an organization of governments if it is to retain relevance in the international cotton industry. It was agreed that any proposal to change the nature of the ICAC in order to accommodate the interests of China would have to be carefully considered and should move forward only after representatives of China have indicated their acceptance. The executive director asked members of the private sector who would be attending the cotton conference in China in June 2005 to encourage their Chinese counterparts to take part in meetings of the ICAC and to adopt a pragmatic approach to the issue of membership. Members of the private sector felt that obtaining observer status before the Subcommittee on Cotton in the WTO for the ICAC is of secondary importance to the need to ensure cooperative interaction between China and the world cotton industry.

Ensuring that the ICAC is of relevance to the Spinning Sector

Members of the private sector noted that the International Textile Manufacturers Federation (ITMF) produces valuable reports on contamination, costs of spinning and weaving and textile machinery shipments. The executive director was urged to work with the ICA and ITMF to ensure good coordination among the major cotton industry groups so as to facilitate constructive interaction between the textile industry and other segments of the world cotton industry.

Supply Chain and Sanctity of Contract:

Members of the private sector observed that the problem of non-performance of cotton contracts in a falling market is exacerbated by the lack of respect for yarn contracts. Difficulties in the enforcement of yarn contracts occur because specifications are so detailed and exacting that it is easy to find fault with any given yarn, and so to reject it or demand re-negotiation. Since yarn is normally difficult to resell unless with a large discount, invoicing back is in practice impossible. As a consequence, spinners sometimes respond to cost pressures by defaulting on contracts for the purchase of cotton.

Representatives of the private sector recommended that the Secretariat work with the ITMF and other organizations to analyze the structure, conduct and performance of both the cotton and cotton yarn industries to aid in understanding the problem of defaults on cotton contracts. Such an understanding could lead to practical recommendations from a future PSAP for government and industry action leading to a reduction in the number of defaults on contracts for international trade in cotton yarn. The private sector recognizes that such an investigation of the yarn market will be a substantial undertaking, but that interesting results are possible.



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The private sector is aware that the cotton industry has ready-made hedging solutions, if tax and regulatory issues are resolved, while the yarn industry does not have a functioning futures market to provide hedging possibilities.

The private sector suggested that the ICAC and the ICA might work with ITMF to develop a model contract for trade in cotton yarn based on the ICA contract for trade in cotton.

Commercial Standardization of Instrument Testing of Cotton:

Members of the private sector voiced concern about the work of the ICAC Expert Panel on Commercial Standardization of Instrument Testing of Cotton (CSITC). Representatives of the private sector from the USA reported that they are unsure of the agenda of the CSITC and expressed the concern that the CSITC may be too focused on a relaxation of testing standards in order to facilitate the use of instrument testing by more countries. Members of the private sector emphasized the need to ensure the integrity of instrument testing systems and urged the executive director to ensure that members of the CSITC are aware of these concerns.

Strategic Plan for the ICAC

Members of the private sector expressed an interest in reviewing a strategic planning document being prepared by the executive director for discussion at the next meeting of the PSAP in Liverpool in September 2005. The executive director pledged to prepare the document in time for timely discussion.