



INTERNATIONAL COTTON ADVISORY COMMITTEE

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Report of the 36th Meeting of the Private Sector Advisory Panel (PSAP)

Four members of the PSAP met in Islamabad, Pakistan, on 30 October 2016, during the 75th ICAC Plenary Meeting. One former member, seven observers and the Executive Director joined the PSAP members.

Members present: Steven Shiou-Chung Chen (Taiwan Textile Federation); Fatih Dogan (Mediterranean Textile and Raw Materials Exporters Union, Turkey); and Masood A. Majeed (Pakistan Cotton Ginners Association). Adam Kay (Cotton Australia) attended the meeting by electronic means.

Observers: Terry Townsend (CottonAnalytics, US); Peter Wakefield (Wakefield Inspection Services); Dean Ethridge (Texas Tech University, USA); Sebahattin Gazanfer (Textiles and Raw Materials Exporters' Association of Turkey); Andrew Macdonald (Amcon Consulting, Brazil); Mohammed Negm (Cotton Research Institute, Egypt); Hisao-Chin Judy Yang (Taiwan Textile Federation) and Gervas Kaisi Mwanjabala (Tanzania Bureau of Standards).

Secretariat: José Sette, Rafiq Chaudhry and Lorena Ruiz.

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1. In the absence of the Chair and Vice Chair, the members present selected Mr Fath Dogan to chair the meeting.

1. Composition of the PSAP

2. The Executive Director informed that no new nominations to the PSAP had been received since the 74th Plenary. He had delayed the circulation to ICAC Members of a request for nominations to the PSAP for the 2016/17 fiscal year while awaiting the accession of European Union. This change in the membership of the ICAC was now expected to take place in the first quarter of 2017, at which time there would be a review of the composition of the PSAP.

2. Economic study on the factors underlying the growth of polyester production and demand

3. Ms. Lorena Ruiz, Economist of the ICAC Secretariat, presented preliminary findings of the ongoing study on polyester production and demand, which was being conducted in conjunction with Cotton Inc. and Cotton Council International.

4. The first part of the project consisted of gathering data to understand the import trends on global apparel and intermediate products. The study includes data for major markets such as the USA, European Union and Japan. Data can be analyzed by country of origin and product category (weight, count and value). Major findings include:

- Growth in global cotton mill use over the past decade has been very weak, and consumption remains 10% lower than the level registered in 2007/08.
- China was the largest exporter of polyester yarn (filament and staple) during the period 2011-2014. India is the second largest exporter of polyester filament yarn, accounting for 21% of global exports during the same period.
- The main importers of polyester yarn are Turkey, Brazil and Korea, which together account for 31% of global polyester filament imports and 35% of global polyester staple imports.
- China is also the largest exporter of polyester fabric (filament and staple). During the period 2011-2014, China accounted for 56.5% of global polyester fabric exports.
- In the USA, overall cotton-dominant apparel imports decreased by 20% in comparison with 2007, while Chinese cotton-dominant apparel imports rose by 7% during the same period. On the other hand, world MMF-dominant apparel imports increased even more compared with 2007 (49%), and Chinese MMF-dominant imports registered an even faster growth of 66%.
- In the EU, world cotton-dominant apparel imports decreased by 9% in comparison with 2007. Chinese cotton-dominant apparel imports dropped 33% during the same period. World MMF-dominant apparel imports showed the same trend as the USA, as imports increased by 30%, while Chinese MMF-dominant imports registered a similar growth of 33% during the same period.
- In Japan, World and Chinese cotton-dominant apparel imports decreased by 31% and 42% respectively in comparison with 2007. At the same time, World and Chinese MMF-dominant apparel imports increased about 25%.

5. The PSAP members congratulated those responsible for preparing the study. During the ensuing discussion, attention was drawn to the wide gap between the prices of polyester and cotton. While this large difference in prices persisted, no amount of market promotion activities by the cotton sector could be expected to have a substantial positive impact on cotton consumption.

6. With regard to next steps, PSAP members recommended that the study be enlarged to include the factors causing low polyester prices. In and of itself, the fall in the price of oil, which is the raw material for polyester, was insufficient to explain the gap between cotton and polyester prices. The build-up of a massive overcapacity that distorted the polyester industry was caused by

government policy measures in certain countries. The study should seek to identify and quantify the effect of these policies.

3. Efficiencies in cotton trading

7. The Executive Director started by recapitulating the discussions on this topic in previous meeting. PSAP members had noted that the standardization of phytosanitary certificates and fumigation procedures was a key element in the facilitation of international cotton trading. The ICAC Secretariat was emphasizing the importance of this matter in its presentations at cotton meetings in the World Trade Organization and other bodies. However, the appropriate international body for all issues related to phytosanitary and fumigation matters was the International Plant Protection Convention (IPPC), which has a standard-setting procedure that details how topics are put forward for consideration. The Executive Director was aware of recent cases in which shipments had been rejected despite fumigation at origin. The issue should be given high priority.

8. PSAP members reiterated the importance of this issue, especially fumigation. Numerous difficulties had been encountered in the imports of cotton by certain countries, especially Turkey and Egypt. The Executive Director should give high priority to the harmonization of standards and procedures across countries in the IPCC and other forums. This objective should also be pursued by the Standing Committee during the year and PSAP members stood ready to provide the necessary background information.

4. Terms of Reference of the PSAP

9. The Executive Director informed that the European Union would propose changes in the Terms of Reference of the PSAP upon its accession. The accession of the EU was expected to take place in the first quarter of 2017.

10. PSAP members expressed satisfaction that the process of accession of the European Union to the ICAC was moving forward. They reminded ICAC Members that the PSAP worked by consensus and encouraged the participation of observers in its meetings. Furthermore, its function was purely advisory. The goal of any changes in the Terms of Reference of the PSAP should be to maintain a wide diversity of viewpoints and encourage increased participation.

5. Strategic Priorities of the ICAC

11. Discussion of this agenda item was postponed to a future meeting due to lack of time.

6. Administrative Issues

a. Election of Chair and Vice Chair

12. Mr Allen Terhaar and Mr Fatih Dogan were respectively selected as Chair and Vice Chair of the PSAP until the next Plenary.

b. Date of Next Meeting

13. The next meeting of the PSAP will be held during the Annual Meeting of the American Cotton Shippers Association, which will take place on May 24-26, 2017, in St Louis, Missouri, USA. Seeing no other business, the Chair declared the meeting closed.

Attachments:

Attachment 1: Presentation by Lorena Ruiz