



INTERNATIONAL COTTON ADVISORY COMMITTEE

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Report of the 33rd Meeting of the Private Sector Advisory Panel (PSAP)

Ten members of the PSAP met in Thessaloniki, Greece on November 2, 2014 at the start of the 73rd Plenary Meeting of the ICAC. Eight observers and the Executive Director joined the PSAP members. Mr. Jorge Vartparonián serves as Chair of the PSAP.

Members Present: Shoo-Chung Chen (Tah Tong Textile Company, Taiwan); Mohammed Afif Dada (Karachi Cotton Association, Pakistan) by telephone; Sebahattin Gazanfer (All Textiles and Raw Materials Exporters' Association, Turkey); Henning Hammer (Otto Stadlander, Germany); Adam Kay, (Cotton Australia) by telephone; Kevin Latner (Cotton Council International-Cotton USA, USA); João Luiz Pessa, (Abrapa, Brazil); represented by; Alois Schönberger (Cottonex Anstalt, Poland); Antonios Siarkos (Siarkos S.A. Cotton Ginning, Greece); and Jorge Vartparonián (Camera Algodonera Argentina, Argentina).

Members Absent: Romano Bonadei (Filartex, Italy); Ahmed Elbosaty (Modern Nile Cotton Co., Egypt); Hamisi Kigwangalla (MSK Solutions Ltd, Tanzania); Suresh Kotak, (Kotak and Co., India); David Machingaidze (Cotton Company of Zimbabwe, Zimbabwe).

Observers: Gary Chen (Tayo Textile, Taiwan), Neal Gillen (ICAC representative to UNCITRAL); Ajay Kumar (Embassy of India); Andrew Macdonald (Abrapa, Brazil); Bill Norman (National Cotton Council, USA); Jeff Silberman (International Forum for Cotton Promotion); Peter Wakefield (Wakefield Inspection Services); and Melissa Wang (Taiwan Textile Federation).

Secretariat: José Sette.

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1. Composition of the PSAP

Members of the PSAP noted that only 12 of the 40 member countries of the ICAC were represented on the Panel. They urged ICAC member countries that had not appointed representatives to do so, in order to broaden the representation of the body. Private sector organizations that were interested in joining the PSAP were encouraged to contact their governments. PSAP members also were of the opinion that private sector associations with relevant expertise, such as the International Cotton Association and the International Textile Manufacturers Federation, were important to the working of the panel and should receive permanent observer status within the PSAP.

2. Factors affecting volatility of cotton prices

PSAP members conducted an extensive discussion of factors affecting the volatility of cotton prices. The high volatility of prices in the recent past had damaged the competitiveness of cotton vis-à-vis competing fibers. The volatility of the prices of man-made fibers was lower than that of cotton. One important development that might help market participants to manage the risks associated with volatility was the world cotton futures contract that is scheduled for launch in 2015. However, volatility was inherent in the production of agricultural products. Therefore, the ICAC Secretariat should continue to investigate volatility, focusing on its causes and providing contract suggestions as to mitigation of its effects. The question of a reduction of volatility, in the opinion of the PSAP, could be helped by bringing greater transparency to the world cotton market, in which regard the economic studies produced by the ICAC Secretariat are particularly valuable.

3. Government intervention in the world cotton market

PSAP members noted that volatility was intimately linked to government intervention in the world cotton market. Although intervention might, in certain cases, reduce short-term volatility, price swings were invariably increased in the longer run. Governments should refrain from intervention because of its negative effects. The PSAP noted again the value of the work of the ICAC as an unbiased supplier of objective studies, statistics and other information on cotton.

4. Contract sanctity

The PSAP thanked ICAC members for dedicating an Open Session on the subject of contract sanctity during the 73rd Plenary, as had been suggested by the Panel during its last meeting. The PSAP looked forward to the results of this discussion, since the sanctity of contracts was vital to the health of the cotton value chain.

5. Efficiencies in cotton trading

Members analyzed a study presented by Peter Wakefield on the treatment of samples as hazardous cargo. The results of the survey indicated that this problem was not widespread, being largely confined to West Africa, although many cotton-producing countries restricted imports of samples from other countries. Therefore, no action on the part of the PSAP or the ICAC was required.

6. European Union membership in the ICAC

The Executive Director reported on developments regarding negotiations for the membership of the EU in the ICAC. This subject has been reported on in the opening session to this Plenary. The possible impact of this question was particularly relevant to the PSAP, since the terms of reference of the Panel specifically state that each member of the ICAC shall have no more than one representative on the PSAP. PSAP members noted the importance of EU membership and the need for the PSAP to continue to be as broadly representative as possible of the entire cotton value chain.

7. ICAC Business Plan

PSAP members noted that the ICAC Business Plan had been instituted at the instigation of the Panel and that the PSAP had always been a strong voice in the use of the funds raised as a result of the Plan. The PSAP would examine the priorities for the use of these funds in its next meeting, at which time the 2015/16 budget cycle would be further advanced.

8. Administrative issues

A meeting would be held during the first semester of 2015. Members would be consulted as to the advisability of holding a physical or online meeting.

The PSAP thanked Mr Jorge Vartparonián, of the Camara Algodonera Argentina, Argentina, and Mr Shiou-Chung Chen, of Tah Tong, Taiwan, for their service as Chair and Vice Chair, respectively, of the PSAP for the past year. The PSAP reelected Mr Jorge Vartparonián as the Chair of the PSAP and elected Mr Antonios Siarkos, of Siarkos S.A. Cotton Ginning, to serve as Vice Chair of the PSAP during the year from the end of the 73rd Plenary Meeting until the end of the 74th Plenary Meeting.