Proceedings

Barcelona, Spain
September 19, 2011
Committee of Management members from the following countries attended:

- Australia
- Austria
- Belgium
- Brazil
- Egypt
- France
- Germany
- Hong Kong, China
- India
- Indonesia
- Italy
- Japan
- Kenya
- Korea Rep.
- Pakistan
- South Africa
- Spain
- Switzerland
- Taiwan, China
- Turkey
- USA

ITMF Officials: The Director General

In the Chair: Bashir H. Ali Mohammad (Pakistan)
President of ITMF
## Contents

2  Opening Remarks by the President
2  Proceedings of the Last Meeting and Matters Arising There From
2  Appointment of Auditors, Solicitors and Bankers
2  Financial Report by the Honorary Treasurer
4  ITMF - Activity Report by the Director General
10 Report by the Spinners Committee
14 Report by the Joint Cotton Committee
18 Report by the Home Textile Producers Committee
19 Report by the International Committee on Cotton Testing Methods
22 Membership
22 Date and Place of Next Annual Conference
22 Concluding Remarks by the President

**Attachments**

23 document no. 1
25 document no. 2
27 document no. 3
29 document no. 4
31 document no. 5
Opening Remarks by the President

Mr. Bashir H. Ali Mohammad (Pakistan) welcomed the members of the Committee to the meeting. He thanked everybody to have come to Barcelona. He explained that in contrast to the normal agenda of the conference, this year’s meeting of the Committee is taking place at the beginning and not at the end of the conference. The reason for that change is the organization of the ITMF/ITMA World Textile Summit at the last day of the conference that did not leave time for any additional meeting.

Proceedings of the Last Meeting & Matters Arising There From

The Proceedings of the last meeting of the Committee of Management of ITMF, held in São Paulo, Brazil, on October 19, 2010, were duly circulated on December 20, 2010 and were approved by way of correspondence. There were no matters arising from the Proceedings other than those included in this agenda.

Appointment of Auditors, Solicitors and Bankers

The following appointments were confirmed:

Auditors: Universe (AG für Unternehmensberatung und Revision), Zürich
Solicitors: Dres. Pestalozzi Lachenal & Patry, Zürich
Bankers: Credit Suisse, Zürich

Financial Report by the Honorary Treasurer

The following report was presented by Mr. Bassem Sultan (Egypt), Honorary Treasurer of the Federation:

The Balance Sheet and the Statement of Income and Expenditures as authorized by Universe, Zürich, were circulated to the Members of the Committee on April 4, 2011 and approved by post.

At the end of 2010, the Federation’s net assets stood at CHF 753,142, an increase of 5.5% from their level in 2009 (CHF 713,810). The main reasons for this increase in assets are higher cash and bank balances (approx. +30% or approx. +CHF 52,000) as well as higher market valuation (2010: CHF 424,101 versus 2009: CHF 411,399) of the marketable securities as a consequence of the recovery of stock and bond markets.

The Federation’s total income in 2010 fell to CHF 570,749 compared to 2009 (-12% or –CHF 75,862). The main reasons for this decrease were lower membership subscriptions in general (2009: CHF 519,300 versus 2010: CHF 490,040) and once-
and-for-all contributions (joining fees) to the Federations reserve fund in 2009 in the amount of CHF 49,863 (as compared to none in 2010). Due to the continued recovery of bond and stock markets in the aftermath of the global financial crisis during the entire year 2010 the contribution of net investment and interest income amounted to +CHF 9,803 as compared to +CHF 26,456 in 2009. While the value of the portfolio dropped by -20.5% in 2008, its value recovered in 2009 by +8.0% and in 2010 by another +4.8%.

Fees from member associations amounted to CHF 276,540. Compared to the CHF 292'800 in 2009 this represents a decrease of –CHF 16,260 or -5.5% which is a result of resignations of several smaller member associations mainly in Europe and Africa. In addition subscription fees of most other member associations – mainly of the industrialised world – are shrinking due to lower textile production on which member associations are being levied. Income from associate members rose from CHF 102,500 to CHF 107,000 (+4.5%), while fees from corporate members fell by -16.5% to CHF 106,500.

Revenues from sales of publications were down by –CHF 7,250 compared to the previous year reaching CHF 105,075.

The loss on receivables – mainly payment defaults on outstanding invoices from 2008 and 2009 – fell compared to 2009 from CHF 58,894 to CHF 42,195.

It is proposed that for 2012 the basis of calculation of Member Associations' subscriptions remains unchanged:

- The minimum levy shall therefore remain CHF 4,000.
- The maximum levy shall therefore remain CHF 57,000.
- Subscription which fall between the upper and lower limits shall continue to be calculated according to the subscription formula based on an unaltered unit rate of CH 0.065064.
- No Member Association shall pay a subscription representing less than 60% of total national yarn production by the spinners, and consumption by the weavers, in the cotton-system sector.

It is also proposed that Associate Members' levies shall for 2012 be as follows:

**Textile Associations**

| CHF 15,000 | Taiwan Textile Federation |

**Cotton Associations**

| CHF 7,000 each | American Cotton Shippers Association  
                 | Cotton Incorporated  
                 | International Cotton Association  
                 | National Cotton Council of America |
| CHF 5,000 each | Australian Cotton Shippers Association |
Bremen Cotton Exchange
Cotton Egypt

Textile Machinery Associations
CHF 15,000  German Machinery Manufacturers Association (VDMA)
CHF 13,000  Italian Textile Machinery Association (ACIMIT)
CHF 12,000  Swiss Machinery Manufacturers Association (Swissmem)
CHF  7,000  American Textile Machinery Association (ATMA)

Corporate Members shall pay an annual levy on the basis of turnover, the minimum amounting to CHF 3,000 p.a. for companies with a turnover not exceeding USD 50 million. For a turnover between USD 50 and 200 million, the fee will raise to CHF 5,000 and for a turnover in excess of USD 200 million to CHF 7,000 (maximum).

The report by the Honorary Treasurer was unanimously approved by the Committee.

ITMF - Activity Report by the Director General

The main activities of the Secretariat since the last meeting of the Committee held in Sao Paulo on October 19, 2010 are summarized hereunder in chronological order.

October 2010
- Participation in the 12th Intl. Textile and Apparel Symposium (IITAS) in Izmir. Presentation on global textile machinery capacities and shipments from 2000-2009 with a special focus on Turkey (October 26-28, 2010).

November 2010
- Meeting with Dr. Lukas Sigrist (Swissmem) in Zurich/Switzerland and discussion about the ITMF/ITMA World Textile Summit 2011 in Barcelona/Spain on September 21, 2011 in conjunction with the ITMA 2011 and the ITMF Annual Conference 2011 (November 3, 2010)
- Participation in the Swiss Textiles Award Ceremony 2010 organized by Swiss Textiles in Zurich/Switzerland (November 4, 2010).
- Meeting with Mr. Jürg Rupp, Executive Director, Textile World, in Zurich/Switzerland and discussion about coverage of the next ITMF Annual Conference by Textile World (November 5, 2010).
- Participation in the Gherzi van Delden Unternehmerforum in Krefeld/Germany (November 12, 2010).
- Meeting together with Mr. Romano Bonadei (Filartex) with Prof. Guiliano Noci and some of his colleagues from the MIP Politecnico di Milano/Italy and discussion about a concept for an ITMF Executive Seminar (November 24, 2010).
Meeting with Dr. Federico Pellegata, Executive Director, ACIMIT, and discussion about how the Italian textile machinery could be involved more intensively in ITMF activities and about ACIMIT becoming an Associate Member of ITMF (November 24, 2010).

December 2010

Meeting with Mr. Joachim Maier and Mr. Martin Werder, Rieter (Switzerland), in Zurich/Switzerland and discussion about a joint publication on the Brazilian economy in general and the Brazilian textile industry in particular (December 1, 2010).

Meetings together with Mrs. Renate Rosing, assistant to the ITMF Director General, with various service providers (hotel, travel agency, etc.) in Barcelona/Spain in preparation of the ITMF Annual Conference 2011 (December 6-8, 2010).

Meeting with the members of the Organizing Committee of the ITMF/ITMA World Textile Summit 2011 in Barcelona/Spain at Swissmem in Zurich/Switzerland and discussion about the program, sponsors, etc. (December 14, 2010)

Meeting with Dr. Ian Johnson, Secretary General, The Club of Rome, in Winterthur/Switzerland and discussion about possibilities to cooperate (December 17, 2010).

January 2011

Participation in the ITMF Board Meeting in New York/USA (January 8, 2011).

Participation in the ITMF Textile Value Chain Meeting in New York/USA (January 8, 2011).


Participation in the meeting of the ITMF Home Textiles Producers Committee in Frankfurt/Germany on the occasion of Heimtextil 2011. Presentation on behalf of ICAC/Cotton Inc. on "Pass-Through Analysis on Cotton Prices" (January 14, 2011).

Meeting with Mr. Sudhir Thackersey, ITMF Past President, India, in Zurich/Switzerland and discussion on ITMF in general and about the upcoming ITMF Annual Conference in Spain and about the fee structure for corporate members (January 18, 2011).

Meeting with Mr. Jürg Rupp (Textile World) in Zurich/Switzerland and discussion about the cooperation during the ITMF Annual Conference 2011 in Barcelona/Spain (January 21, 2011).

Meeting with Mr. Werner Studer, Executive Director, Intercontinental Group of Department Stores (IGDS) in Zurich/Switzerland and discussion about closer cooperation and exchange of information (January 26, 2011).

February 2011
• Meeting with Mr. Andreas Engelhard, The Fiber Year Consulting, in Zurich/Switzerland and discussion about including an ITMF article in the new edition of The Fiber Year (February 2, 2011).

• Meeting with Mr. Wolfram Daubek-Puzka, Head of Market Intelligence, Lenzing (Austria), in Zurich/Switzerland and discussion about ITMF in general, the upcoming ITMF Annual Conference and ITMF membership, especially the fee structure for corporate members (February 18, 2011).

• Meeting with Mr. Aurelio Giovanoli, Credit Suisse, in Zurich/Switzerland and discussion about the ITMF portfolio (February 21, 2011).

• Meeting with Mr. Greig Fleming, former ITMF Economist, and discussion about his participation as a speaker in the ITMF Textile Machinery Workshop and Dinner 2011 in Frankfurt/Germany (February 23, 2011).

• Several meetings since the beginning of the year with Mrs. Charie Jenny, accountant, for the preparation of the official audit of the ITMF Financial Statement 2010 by Universe AG/Zurich (December 2010 – February 2011).

March 2011

• Meeting with Mr. Giuseepe Gherzi, Gherzi Textil Organisation, in Zurich/Switzerland and discussion about ITMF in general and about his participation as a speaker in the ITMF Textile Machinery Workshop in Frankfurt/Germany 2011 (March 3, 2011).

• Meeting with Mr. Heinz Bachman, past member of the ITMF Advisory Board, and discussion about the preparation of the ITMF/ITMA World Textile Summit 2011 in Barcelona/Spain (March 8, 2011).

• Audit of the ITMF Financial Statements 2010 in the ITMF office in Zurich/Switzerland by Mr. Alain Kuhn from Universe AG, Zurich (March 9-10, 2011).

• Meeting with Mr. Jess Ennis, Cotton International, in Zurich/Switzerland and discussion about ways of cooperation and the possibility of coverage of ITMF activities (ITMF Annual Conference in Barcelona/Spain) in the magazine “Cotton International” (March 11, 2011).

• Participation in the ICA’s “Dubai 2011 – Open to the World” in Dubai/UAE. ITMF President Bashir Ali Mohammad (Pakistan) presented a paper at this conference (March 15/16, 2011).

• Meetings with representatives from the ITMF corporate member Apac Inti, Indonesia, in Jakarta (headquarters) and Semerang (textile mill) in Indonesia (March 18-20, 2011).

• Meeting with representatives from the Indonesian Textile Association (API ) in Jakarta/Indonesia and exchange of information about ITMF API in general and about possibilities of becoming a member of ITMF and of holding an ITMF Annual Conference in South-East Asia in the future (March 18, 2011).

• Meeting with Mrs. Sylvia Phua, Executive Director, MP International, Singapore and discussion about the upcoming ITMF/ITMA World Textile Summit 2011 in
Barcelona/Spain, about the possibility of holding an ITMF Annual Conference in South-East Asia in the future (March 21, 2011).

- Meeting with Mr. Benny Pua, President, Textile & Fashion Federation (TaF.f, Singapore), and other representatives of TaF.f in Singapore and discussion about ITMF in general and the possibilities to hold the ITMF Annual Conference in South-East Asia in the future (March 21, 2011).

- Participation in a CCI-South-East Asia sourcing event in Bangkok/Thailand (March 22, 2011).

- Meeting with representatives of the ASEAN Federation of Textile Industries (AFTEX) in Bangkok/Thailand and discussion about possibilities to cooperate more intensively in the future (March 22, 2011).

- Meeting together with Mr. Heinz Bachmann, former member of the ITMF Advisory Board, with the Organizing Committee of the ITMF/ITMA World Textile Summit 2011 in Barcelona/Spain (March 28/29, 2011).

April 2011

- Meeting together with ITMF President, Mr. Bashir Ali Mohammad (Pakistan), with Mr. Du Yuzhoud, President, CNTAC, in Shanghai/China on the occasion of a home textile exhibition and discussion about intensified cooperation, development of the global textile industry (April 2, 2011).

- Meeting together with ITMF President, Mr. Bashir Ali Mohammad (Pakistan), with Mr. Wang Tiankai, Vice President, CNTAC, in Shanghai/China on the occasion of a home textile exhibition and discussion about the ITMF Annual Conference 2011 in Barcelona/Spain in September 2011 and the participation of ITMF representatives as speakers in the China Cotton Textile Conference in Yancheng/China in October 2011 (April 2, 2011).

- Meeting together with Ms. Hanh Do, Esquel Group, with Mr. Phan Chi Dung, Director General, Department of Consumption and Food Industry, Ministry of Trade and Industry (MOIT), and discussion about ITMF in general and the role and potential of Vietnamese textile industry (April 5, 2011).

- Meeting together with Ms. Hanh Do, Esquel Group, with Vice-Minister Dang Huy Dong, Ministry of Planning and Investment, Vietnam, in Hanoi/Vietnam and discussion about ITMF in general and the role and potential of Vietnamese textile industry (April 6, 2011).

- Participation in an Executive Seminar organized by the Intercontinental Group of Department Stores (IGDS) in Lucerne/Switzerland (April 11, 2011).

- Visit of Index 2011 (non-wovens exhibition) in Geneva/Switzerland (April 15, 2011).

- Meeting with Dr. Isa Hoffmann, CEO, IHOFMANN, in Zurich/Switzerland and discussion on ITMF in general and how to strengthen the role of technical textiles within ITMF.

- Meeting with Mr. Sudhir Thackersey, ITMF Past President (India), and discussion about ITMF in general (April 28, 2011).
• Meeting with Mrs. Charie Jenny, accountant, in Zurich/Switzerland and discussion on administrative issues like taxes, insurances, etc. (April 28, 2011).

May 2011
• Participation in the ITMF Textile Value Chain Meeting in Frankfurt/Germany. Presentation on behalf of ICAC/Cotton Inc. on “Pass-Through Analysis on Cotton Prices-Update April 2011” (May 5, 2011).
• Participation in the ITMF Textile Machinery Workshop & Dinner in Frankfurt/Germany which was jointly organized with VDMA. Presentation on the preliminary results of the Intl. Textile Machinery Shipment Statistics (ITMSS) 2010 (May 5, 2011).
• Participation in the ITMF Board Meeting in Frankfurt/Germany (May 6, 2011).
• Meeting with Mr. Mark Albrecht, Uster Technologies (Switzerland) in Zurich, Switzerland and discussion about the program of the upcoming ITMF Annual Conference 2011 in Barcelona/Spain, especially with regard to possible topics and speakers (May 9, 2011).
• Participation in the annual meeting of ACSA in Washington D.C./USA (April 11-13, 2011).
• Meeting with Mr. Heinz Michel, CEO Benninger Group and member of the ITMF Advisory Board, in Zurich/Switzerland and discussion about the ITMF in general and how expand membership, especially in the textile machinery segment (May 18, 2011).
• Participation in the Techtextil 2011 (on technical textiles) in Frankfurt/Germany (May 24-26, 2011).

June 2011
• Meeting with Mr. Walter Simeoni, ITMF Past President (South Africa), in Zurich/Switzerland and discussion about the upcoming ITMF Annual Conference 2011 in Barcelona/Spain (June 21, 2011).
• Meeting with Mr. Sudhir Thackersey, ITMF Past President (India), in Zurich, Switzerland and discussion about ITMF and about better conditions for smaller corporate members (June 23, 2011).
• Meeting with Mr. Herbert Schmid, ITMF Past President (Brazil) in Zurich/Switzerland and discussion about the ITMF Annual Conference 2011 in Barcelona/Spain (June 24, 2011).
• Meeting with Mr. Heinz Bachman, past member of the ITMF Advisory Board, and discussion about the preparation of the ITMF/ITMA World Textile Summit 2011 in Barcelona/Spain (June 24, 2011).
• Meeting with Mrs. Virginia Bodmer-Altura, Textile Visionary, in Zurich/Switzerland and discussion about ITMF in general and textile publications in particular (June 30, 2011).
**July 2011**

- Meeting with Dr. Thomas Schweizer, Executive Director, Swiss Textiles, and Dr. Liliane Sieber, Director, Swiss Textiles, and discussion on ITMF in general and about the Swiss textile industry in particular (July 4, 2011).

- Presentation at Berenberg Bank in Zurich/Switzerland about ITMF’s International Textile Machinery Shipment Statistics (ITMSS) and the outlook for the global textile (machinery) industry (July 5, 2011).

- Meeting with Mr. Laurent Aucouturier, Gherzi Textil Organisation (Switzerland), and Mr. Wolfram Daubek-Puza, Lenzing (Austria), in Zurich/Switzerland and discussion about ITMF statistical information and possibilities to expand and improve the statistical data (July 6, 2011).

- Meeting with Mr. Werner Studer, Executive Director, Intercontinental Group of Department Stores (IGDS), in Zurich/Switzerland and discussion about closer cooperation and exchange of information (July 6, 2011).

**August 2011**

- Meeting with Mrs. Eman Zaki Khamis, General Manager, Information & Documentation Center (CATGO), Egypt, in Zurich/Switzerland and discussion about Egypt’s cotton industry in general and cotton testing in particular (August 11, 2011).

- Meeting with Mr. Abhimanyu Thackersey, Executive Director, Hindoostan Mills Ltd., India, in Zurich/Switzerland and discussion about ITMF in general and on conference venues, conference program and membership in particular (August 15, 2011).

- Meeting with Mr. Jürg Rupp, Executive Editor, Textile World, in Zurich/Switzerland and discussion about the upcoming ITMF Annual Conference 2011 in Barcelona/Spain and Textile World’s participation (August 16, 2011).

- Meeting with Mrs. Charie Jenny, accountant, in Zurich/Switzerland and discussion on accounting issues, tax, social insurances, etc. (August 19, 2011).

- Meeting together with Mr. John Cheh, Vice-Chairman and CEO, Esquel Group, and ITMF Advisory Board Member, and Ms. Hanh Do, Esquel Group, with Mr. Phan Chi Dung, Director General, Department of Consumption and Food Industry, Ministry of Trade and Industry (MOIT), in Hanoi/Vietnam and discussion about ITMF and the role and potential of the Vietnamese textile industry in general and the decision about VINATEX joining the Federation as a member association and the idea of holding the ITMF Annual Conference in Vietnam in particular (August 22, 2011).

- Meeting together with Mr. John Cheh, Vice-Chairman and CEO, Esquel Group, and ITMF Advisory Board Member, and Ms. Hanh Do, Esquel Group, with Mr. Nguyen Khanh Son, Vice Chairman, VINATEX, and Ms. Pham Minh Huong, Director International Business Development, VINATEX, in Hanoi/Vietnam and signing of a “Letter of Intent” (August 23, 2011).

- Meeting together with Mr. John Cheh, Vice-Chairman and CEO, Esquel Group, and ITMF Advisory Board Member, and Ms. Hanh Do, Esquel Group, with Vice Minister
of Planning and Investment, Mr. Dang Huy Dong, in Hanoi/Vietnam and discussion about Vietnam as an investment destination for international textile and garment manufacturers in general and about closer cooperation between VINATEX and ITMF in the future by participating in ITMF events and by hosting an ITMF Annual Conference in Vietnam in particular (August 23, 2011).

- Meeting together with Mr. John Cheh, Vice-Chairman and CEO, Esquel Group, and ITMF Advisory Board Member, and Ms. Hanh Do, Esquel Group, with Deputy Prime Minister, Mr. Hoang Trung Hai, in Hanoi/Vietnam and discussion about investment opportunities in Vietnam for the international textile and garment industry and about the intention to host an ITMF Annual Conference in Vietnam in the near future (August 23, 2011).

- Meeting with Mr. Heinz Bachmann, former member of the ITMF Advisory Board, in Zurich/Switzerland and discussion about the preparation of the ITMF/ITMA World Textile Summit 2011 (September 1, 2011).

The report by the Director General was unanimously approved by the Committee.

Report by the Spinners Committee

In the interest of time, the Chairman of the Spinners Committee, Mr. Andrew Macdonald (Brazil), suggested to take the minutes of the Spinners Committee meeting as this year's report.

Spinners' Committee Visit to Turkey

The Chairman shortly informed the meeting about the scheduled visit to Turkey (October 23-28, 2011). He expressed his hope that in future the average number of participants will be higher. The visits of the Spinners Committee to the various cotton producing countries/regions are an important way to interact with the cotton industry around the world and to exchange information about ways and means to improve the quality of the cotton lint for the cotton spinners. The reports are valuable documents recording the progress of cotton production over time.

Consequences of the Volatility of Cotton Prices for Spinners

The Committee discussed the consequences of increasing numbers of defaults during periods of volatile cotton markets for the spinners. While cotton spinners made satisfactory returns earlier in the year in a continuous rising market environment, since cotton prices could be passed on relatively easily, the situation changed abruptly once cotton prices started plummeting. Those who had stocked too much high priced cotton suddenly saw themselves faced with losses as yarn prices tumbled and orders were cancelled.

The Committee noted that the major concern in the cotton textile value chain is that retailers take a long time in accepting higher prices from their suppliers when raw material prices are increasing, but are very fast in asking for reductions (cancellations and re-negotiations) once raw material prices are falling.
In this context it was discussed whether standardized international yarn contracts and/or yarn-hedging are possible ways forward. With regard to yarn contracts it was stated that such yarn contracts would be very difficult to actualise, as there are so many different types of yarns. In addition there are so many suppliers that would step in to supply a defaulting party with the yarn, that it makes a standardized yarn contract practically worthless.

With regard to yarn hedging the question was raised whether the trade could hedge the cotton content of the yarn and this under review. The ICAC is preparing the historical background on the relationship between cotton prices and yarn, which might help to arrive at a possible way forward to help protect the spinners from the violent volatility.

The meeting discussed also the question whether the concept of “invoicing back” under ICA rules is still valid? Under these rules it is well known that sometimes the apparent innocent parties might have to pay to the party who is breaching a contract. Though this is a rare occurrence the meeting was unanimously of the opinion that invoicing back is an acceptable concept. The difficult question in many cases of invoicing back is agreeing/identifying the market value on the date of invoicing back.

In the discussion the question was raised by the Turkish Textile Employers Association (TTEA) whether insuring yarn contracts could be a way out. The meeting agreed to ask the Secretariat to study the feasibility/possibility of invoicing yarn contracts.

It was also suggested by TTEA to study the question of “force majeure” in English and international law. While in English law there does not seem to be such a concept this is different in international law. The meeting agreed that the Secretariat should study this question.

**Change in the Cotton/Synthetics Ratio**

The Committee members shared the opinion that highly volatile cotton prices have contributed to a further reduction of the share of cotton as compared to man-made fibres. The Committee was of the opinion that cotton could recover some of the lost shares again once cotton prices have stabilized at a lower level. The Committee agreed that in general the share of man-made fibres on overall fibre consumption will continue to increase.

**Better Cotton Initiative (BCI)**

In preparation of the discussion in the meeting of the Joint Cotton Committee (JCC) the Committee discussed BCI’s reply to a letter from the JCC regarding the confusion about and misuse of the term “better cotton” in the cotton value chain (see document no. 1 in the attachment).

The Committee discussed the Spinners’ Committee perspective on the controversy over the perception of “better” cotton. The term better cotton implies that the cotton produced under BCI is actually better in quality than cotton produced elsewhere. The cotton produced under the BCI scheme is meant to be “better” in the sense that its production has improved as compared to the previous period in terms of economic, environmental and social aspects.

Unfortunately, “better cotton” is often wrongly perceived as being better in quality and sometimes misused as a marketing tool thus creating misunderstandings, confusion and frustration among the cotton and cotton textile industry. Therefore the Committee
agreed that BCI should adapt measures that prevent any sort of misunderstandings and the impression of being a marketing tool.

While BCI emphasized in their reply that “BCI is in complete agreement ... that “better” in “Better Cotton” should not be confused with better quality”, the BCI-Council decided “that the use of the name and brand should remain unchanged”.

Some spinners reported in the meeting that they were requested by retailers to use BCI cotton. Others reported that ginners are sometimes asking a premium for BCI cotton. Before this background the Committee reconfirmed its view that cotton produced under BCI should not receive a premium since it is a concept that promotes improved cotton production, and not higher quality cotton.

The Committee therefore expressed the strong opinion that “Better Cotton” should not be supported in the same way as before by ITMF if it is seen and/or used a marketing tool (i.e. garments labelled with “Better Cotton”). The Committee is rather hoping that “Better Cotton” is traded like in Pakistan where no premium is being paid and that retailers do not start labelling products with BCI. The Committee agreed that meetings with retailers should be arranged in which the view of Committee is explained in more detail.

**ITMF/ICA-Working Group on ICA Bylaws & Rules**

The Committee discussed the proposal of the ICA to form a so called “Joint ITMF/ICA-Working Group” where proposals to change the ICA Bylaws & Rules could be discussed (see documents no. 2 and 3 in the attachment).

The Committee agreed that it is not necessary to form a new working group for further discussions, but that a closer and on going discussion with exchange of opinions/views between the ICA and the ITMF would be welcome regarding the application and formulation of ICA Bylaws & Rules. It was of the opinion that the ITMF Joint Cotton Committee offers an ideal platform for the global cotton industry – cotton trade and cotton spinners – to discuss questions/proposals concerning ICA Bylaws & Rules.

**Cotton Contamination Survey 2011**

ITMF is currently compiling questionnaires from cotton spinning mills from around the world for ITMF’s Cotton Contamination Survey 2011, the twelfth such survey since 1989. The survey’s objective is to show how cotton spinners from around the world perceive the quality of the various cotton varieties as far as

- contamination with various contaminants,
- stickiness and
- seed-coat fragments

are concerned.

The final results of the ITMF Cotton Contamination Survey 2011 will be presented in March 2012 at the International Bremen Cotton Conference. The major challenge of the survey remains keeping up the participation of spinning mills from around the world. In the past few years, participation of spinning mills fell considerably clearly as a consequence of the shrinking cotton spinning industry in the industrialized countries, which imported many different cotton growths in the past, thus providing a wide range of information on cotton varieties and their levels of contamination. At the same time it
is still difficult receiving sufficient replies from important cotton processing countries in Asia. After the China National Textile & Apparel Council (CNTAC) has joined the ITMF in April 2008 an increasing number of Chinese cotton spinning mills have been participating in the surveys in 2009 and 2011.

International Committee of Cotton Testing Methods (ICCTM)
The main activity of the ICCTM since its last meeting in spring 2010 concentrated on developing a comprehensive method of “recognising” cotton testing machines. In the beginning of 2011, the cotton testing machine manufacturer Textechno asked the ICCTM to “recognise” its new testing machine. In this context the HVI Task Force Coordinator, Ms. Mona Qaud, and the Committee’s Vice Chairman, Mr. Axel Drieling, met with representatives of Textechno to be informed in more detail about the new machine and to discuss how a standardized method of “recognition” could be developed.

Based on this meeting a first draft of a methodology for “recognising” this new cotton testing machine was developed and circulated among the various Task Forces Coordinators. Furthermore it was also decided that the ICCTM-Chairmen and the Task Forces Coordinators should meet in Barcelona/Spain during ITMA 2011 on September 23 in order to discuss the first draft of a methodology for “recognition”. This second draft should then be discussed with Textechno at a meeting during ITMA 2011. In addition also meetings with other cotton testing machine manufacturers (Premier and Uster Technologies) were arranged during which these manufacturers will be informed about the methodology of “recognising” cotton testing machines by the ICCTM. The results of these meetings will be presented to the members of the Committee at the next regular meeting during the International Bremen Cotton Conference 2012 in March 2012.

Committee Membership
The number of the members stands currently at 12 Mr. Ertekin Ashaboglu who represented Turkey during the last few years is not actively involved anymore in activities of the Turkish Textile Employers’ Association (TTEA). Therefore TTEA indicated Mr. Nevzat Seyok from Karsu Tekstil Sanayi ve Ticaret A.S. as a possible new member in the ITMF Spinners Committee. This proposal was accepted in principle by the Committee, based on the understanding that the Chairman and Director General would interview the candidate during the visit to Turkey (subsequently the Chairman and Director General have met with Mr. Nevzat and fully approve the indication and welcomed him into membership of the committee).

The members of the Committee are reminded that there is the understanding of “maximum three times absence”. This means that members of the Committee should not miss meetings and visits four times in a row.

Next Country Visit
The Committee discussed which cotton growing country should be visited by the Committee in 2012. It agreed that Australia would be a good choice for 2012 and asked the Chairman and Secretariat to come forward with proposals regarding suitable dates.
Next Annual Committee Meeting
It was agreed that the next annual meeting of the Committee will be held in connection with ITMF Annual Conference 2012 which will be held in Hanoi/Vietnam from November 4-6, 2012.

Report by the Joint Cotton Committee
In the interest of time, the Chairman of the Committee, Mr. Jeff Elder (USA), suggested to take the minutes of the Joint Cotton Committee meeting as this year’s report.

Volatility of Cotton Prices
The Committee discussed the consequences of the extreme volatility of cotton prices for the international cotton trade and cotton spinning industry, especially with regard to contract defaults. The Committee was informed that the number of arbitrations has increase strongly in 2011 as compared to the previous years. Nobody doubted the principle of the sanctity of contracts but agreed that measures should be studied on how to protect the contracting parties better in extreme volatility.

In this context it was discussed how the merchant community could assist cotton-spinning mills to survive with high-priced contracts in a plummeting cotton market. It was suggested that hedging the cotton content of yarns with cotton futures was a possible way forward. The meeting was of the opinion that this concept should be investigated more fully, though it involves additional costs. The ICAC is making data analysis of the relationship between cotton and cotton yarn and this could be a basis for further discussion.

Furthermore, the question was raised whether the concept of “invoicing back” under ICA rules should be re studied in the light of concern that these rules can imply that an innocent party having to pay the market difference? At its meeting, the Spinners Committee agreed that in principle the concept of “invoicing back” is definitely valid and that the tradition of placing “the parties to a contract in the same financial position they would have been if the contract had been performed” was a concept to be preserved.

The Indian Cotton Export Ban and Yarn Policy
The Committee discussed the lessons learnt form India’s export ban of cotton in 2010, and later the release of yarn stocks depressing the world prices. The Committee agreed that ITMF should write a letter to the Indian government in which the government’s cotton and textile trade policy in the current year which refrains from exports bans of cotton and cotton yams is welcome.

Limited Access to Credit in the Supply Chain: Cause for Slowdown of Orders?
The Committee discussed whether limited access to credit is causing some slowdown in consumption or whether consumers are more reluctant to spend in uncertain times. The discussion showed that both factors play a role. In many countries banks are indeed restrictive in providing textile mills with the necessary liquidity. Higher working capital requirements due to higher raw material costs and the fact that many banks are in difficulties themselves lead to cut backs of banks’ credit volumes. In addition the
weak and insecure economic outlook does not encourage banks to lend more irrespective of low interest rates levels.

On the other hand it was stated that cotton consumption is not decreasing on a global scale. While especially in the industrialized countries retailers are not sure about the economic outlook some default on their orders and/or order only small lots on short notice with stocks running at a very low levels. In emerging countries like China, India, Turkey, Brazil or Indonesia private consumption continues to expand strongly. Consequently Europe’s share is decreasing in relative terms. Global mill consumption of cotton will continue the driving forces being a growing world population and a higher per capita consumption, especially of the middle classes in countries like China or India.

It was also stated in the meeting that the volatility seen in the past 18 months will not stay forever. In such volatile and erratic times retailers certainly look at prices, but pay also attention to security of supply. Smaller order volumes will eventually lead to more supply which will in return lead to cotton prices coming down to more sustainable levels.

**Report from the ICAC Task Force “Commercial Standardization of Instrument Testing of Cotton” (CSITC)**

In the interest of time the report from the Chairman of the Task Force for CSITC was brief, only emphasising the importance of the work and requesting the support of all those in the cotton chain using instruments for testing cotton, to participate in the round trials in order to improve even more the consistency of results throughout the industry.


The main activity of the ICCTM since its last meeting in spring 2010 concentrated on developing a comprehensive method of “recognising” cotton testing machines. In the beginning of 2011, the cotton testing machine manufacturer Textechno asked the ICCTM to “recognise” its new testing machine. In this context the HVI Task Force Coordinator, Ms. Mona Qaud, and the Committee’s Vice Chairman, Mr. Axel Drieling, met with representatives of Textechno to be informed in more detail about the new machine and to discuss how a standardized method of “recognition” could be developed.

Based on this meeting a first draft of a methodology for “recognising” this new cotton testing machine was developed and circulated among the various Task Forces Coordinators. Furthermore it was also decided that the ICCTM-Chairmen and the Task Forces Coordinators should meet in Barcelona/Spain during ITMA 2011 on September 23, 2011 in order to discuss the first draft of a methodology for “recognition”. This second draft should then be discussed with Textechno at a meeting during ITMA 2011. In addition also meetings with other cotton testing machine manufacturers (Premier and Uster Technologies) were arranged during which these manufacturers will be informed about the methodology of “recognising” cotton testing machines by the ICCTM. The results of these meetings will be presented to the members of the Committee at the next regular meeting during the International Bremen Cotton Conference 2012 in March 2012.
Proposed Changes of ICA's Bylaws and Rules

The Committee discussed the reply of the International Cotton Association (ICA) on the proposed changes by the Committee during the meeting in Sao Paulo/Brazil (2010) (see attached documents no. 2 and 3 in the attachment).

Mr. Ray Butler, President of ICA, who attended the meeting, explained the reply of ICA. In addition he stated that ICA is ready to offer special seminars to the ITMF membership on ICA Bylaws & Rules. However the Committee was not totally satisfied with all answers to the questions raised, and it was suggested that the Secretariats of both organisation should endeavour to set up an additional mid term meeting between the Committee and ICA to further explore each others position. It was suggested that such a meeting could be arranged in March during the next Bremen conference. The ITMF Spinners Committee had agreed in their earlier meeting that a closer and ongoing discussion with exchange of opinions/views between the ICA and the ITMF would be welcome regarding the application and formulation of ICA Bylaws & Rules. It was of the opinion that the ITMF Joint Cotton Committee offers an ideal platform for the global cotton industry – cotton trade and cotton spinners – to discuss questions/proposals concerning ICA Bylaws & Rules.

Better Cotton Initiative (BCI)

The Committee discussed the reply of the Better Cotton Initiative (BCI) regarding the Committee’s letter on the confusion about and misuse of the term “better cotton”. (see document no. 1 in the attachment).

The Spinners’ Committee perspective on the controversy over the perception of “better” cotton is that the term “better cotton” implies that the cotton produced under BCI is actually better in quality than cotton produced elsewhere. But this is neither the case nor the original intention. The cotton produced under the BCI scheme is meant to be “better” in the sense that its production has improved as compared to the previous period in terms of economic, environmental and social aspects.

Unfortunately, “better cotton” is often wrongly perceived as being better in quality and sometimes misused as a marketing tool thus creating misunderstandings, confusion and frustration among the cotton and cotton textile industry. Therefore the Committee agreed that BCI should adapt measures that prevent any sort of misunderstandings and the impression of being a marketing tool.

While BCI emphasized in their reply that “BCI is in complete agreement … that “better” in “Better Cotton” should not be confused with better quality”, the BCI-Council decided nevertheless “that the use of the name and brand should remain unchanged”.

Some spinners reported that they were requested by retailers to use BCI cotton. Others reported that ginners are sometimes asking a premium for BCI cotton. It was also pointed out that due to the misleading term the media reports about “better cotton” as if the cotton is better in quality rather than more sustainable. Before this background the Committee reconfirmed its view that cotton produced under BCI should not receive a premium as it is a concept that promotes improved cotton production and not higher quality cotton. The Committee also expressed the strong opinion that “Better Cotton” should not be used as a marketing tool.

Ms. Lise Melvin, Executive Director of BCI, who also attended the meeting, took note of the concerns and offered that ITMF is invited to explain its views to the BCI stakeholders at the next BCI Council meeting (Nov. 30-Dec. 1, 2011 in Stockholm).
The Committee welcomed this offer and also shared the opinion that especially meetings with retailers should be arranged in which the view of the Committee is explained in more detail.

**Change in the Cotton/Synthetics Ratio**

The Committee discussed whether the volatility of cotton prices has led to a change in the relation between cotton/synthetics. The meeting agreed that cotton consumption decreased as a consequence of soaring cotton prices and that consequently cotton lost market shares to man-made fibres. It was also stated that cotton is in competition not only with man-made fibres but also with food crops. In addition the fact that available arable land is limited could lead to a scenario where cotton can become something like a “premium” fibre. Though global cotton production could be increased further by increasing average yield (i.e. through drought resistant varieties, etc.) and by making more arable land available (i.e. in Africa and South America), competition from food crops remains in place. It was also mentioned in the meeting that cotton is more and more also becoming a food crop (seed-oil) thus serving both the textile and the food industry.

It was also stated in the meeting that cotton consumption can be influenced successfully as happened in the US by the efforts of Cotton Incorporated and – on an international level – by Cotton Council International (CCI). Similar efforts are now intensified in Brazil and China. With regard to cotton consumption in China it was stated that while retail was up by 15% cotton consumption increased at a slower pace thus losing market share. On the other hand cotton consumption in India increased in the past few years. CCI informed the meeting that they are now conducting a survey in China on the end-consumer level with the purpose to identify the consumption habits with regard to cotton products.

**Idea and Objectives of the Newly Established “Apparel Coalition”**

Mr. Henrik Lampa from H&M presented the general idea and objectives of the “Apparel Coalition” (www.apparelcoalition.org). Among other things he informed the meeting that “Apparel Coalition” intends to become a legal entity by 2012 which can be joined by companies. The intention is not to create an additional certificate or label. “Apparel Coalition” is rather regarded as a comprehensive approach to define general criteria for the entire industry with respects to environmental and social aspects.

**Duration of Chairmanship and Position of Vice Chairman**

The Committee accepted the proposal to prolong the Chairmanship from two to four years and to eliminate the position of a Vice Chairman. Mr. Jeff Elder was then confirmed as Chairman of the Joint Cotton Committee (JCC) until 2013.
Report by the Home Textile Producers Committee

It was suggested to take the minutes of the Committee of the Home Textile Producers as this year’s report.

Update: Pass-Through Analysis of Cotton Prices

An update of the research paper “Pass-through Analysis of Cotton Prices” by the ICAC and Cotton Incorporated was presented by Mr. Terry Townsend, Executive Director, ICAC (see document no. 4 in the attachment).

The meeting discussed how the home textile industry was able to pass on higher input costs in times of soaring raw material prices and how they are dealing with the situation after raw material prices have plummeted. The meeting agreed that it was difficult to convince retailers to accept higher prices stemming from higher raw material prices. While some retailers (medium and high-end segments) were more willing to accept higher prices, retailers from the lower segments were more resistant or unwilling to do so. In general it took retailers a certain time to accept higher prices.

ITMF Textile Value Chain Meetings in New York and Frankfurt

Mr. Bashir Ali Mohammad, ITMF President, reported from the ITMF Textile Value Chain Meetings with US and European retailers and representatives of the international cotton industry in New York/USA (January 2011) and Frankfurt/Germany (May 2011).

He informed the Committee that the meetings were well received by all participants and that the presentations and discussions helped to better understand the reasons for soaring cotton prices and the consequences for the entire textile value chain. The retailers became more aware of the unprecedented dimension of soaring cotton prices and the underlying structural and cyclical reasons. While representatives of some retailers informed the participants that they have already or plan to increase their retail prices in order to pay higher prices to the textile manufacturers (medium and higher retail segments), representatives from retailers representing the lower segments stated that prices for certain key products cannot be increased as they are seen as guaranteed prices. Especially in a period of rising unemployment and weak economic demand, prices are difficult to adapt in the lower segments where disposable income is stagnant or falling.

In the meeting it was suggested to arrange a meeting with retailers during one of the markets weeks in 2012. The meeting should be arranged in a similar manner as the ITMF Textile Value Chain Meetings in New York or Frankfurt.

Volatile Cotton Prices and the Consequences for the Textile Value Chain

Based on the discussions during the last meeting in Sao Paulo/Brazil the meeting reviewed the current situation of the home textile industry and its future challenges and opportunities, especially in the context of volatile cotton prices.

It was stated that in the process of soaring cotton prices textile manufacturers were able to increase their prices by up to 30%. But since cotton prices plummeted from their highs in March 2011 retailers were very quick to reduce price offerings again by 30%. But textile manufacturers are extremely resistant to accept lower price offers simply because they would lead to significant losses. Many textile manufacturers would rather close down their textile mills than suffering unsustainable losses. It was noted
that many small and medium sized companies in Pakistan have reduced production or even shut down the company entirely.

In a short survey among the participants it became evident that due to the weak economic outlook in industrialized countries, retailers in general have started to order smaller lots on shorter notice.

“World Markets for Home Textiles – Home Linen” (Textile Outlook International)
Mr. Robin Anson, Editorial Director, Textile Outlook International, summarized the most important results of the report “World Markets for Home Textiles: Focus on Home Linen and Profiles of Leading Players” that was published in the magazine “Textile Outlook International” (No 151, July 2011). The Committee discussed the main findings of the report noting that the information available in this report is very interesting. At the same time it was noted that it would be of interest for the members of the Committee to compile more detailed information on the global home textiles markets. It was mentioned that CIRFS had produced a report with interesting information some 20 years back.

Next Meeting
It is proposed to meet again during Heimtextil 2012 (January 11-14, 2012) in Frankfurt/Germany on January 14, 2012 around noon.

Report by the Intern. Committee on Cotton Testing Methods
It was suggested to take the minutes of the Coordinators of the individual Task Forces (TF) who met during ITMA 2011 as this year’s report.

The main topics of the meeting were: 1) the path forward in the area of instrument recognition, 2) the upcoming meeting in Bremen, as well as 3) the HVI User Guide.

In the afternoon during ITMA 2011 the group discussed with representatives of Textechno, Premier and Uster Technologies the question of recognition.

The meeting was well received both from the ICCTM Task Force Coordinators and the various instrument manufacturers.

Recognition
The general aim of recognizing an instrument is to encourage developments of new instruments with additional benefit for customers and to allow users to evaluate the performance.

Three different areas for instrument testing were identified:
- Application in spinning mills / breeding / research
- Classification of cotton fibers → extra, e.g. ASTM D 7410
- Reference test methods → extra
The classification of cotton fibers is taken care of in ASTM D 7410, where certain criteria need to be fulfilled. Therefore we are looking at the recognition of instruments for users in mills.

The Task Force Coordinators developed guidelines in which criteria and additional important information are listed that need to be provided by applicants to initiate the process of recognition (see document no. 5 in the attachment).

The recognition criteria were discussed based on an example of an instrument type for recognition.

**Suggested procedure**

- **Manufacturer:** Contact a TF Coordinator; name the instrument to be recognized; ask for starting the recognition process
- **TF Coordinator:** inform all other TF Coordinators and appoint the responsible TF Coordinator for the instrument
- **Responsible TF Coordinator with instrument manufacturer:** confidentiality agreement if necessary
  - Agreement to disclose first draft to all TF Coordinators (possible exemptions)
  - Agreement to disclose second draft to TF Members (possible exemptions)
  - Agreement to disclose final draft to ITMF ICCTM Committee (possible reduction in disclosed content)
  - Agreement to disclose approved recognition text on ITMF website
- **Manufacturer:** check (what can be fulfilled by manufacturer) and ask TF Coordinator if application of instrument is sufficient with those points
- **Manufacturer:** send full version to ITMF for distribution to the corresponding TF coordinator (secretariat@itmf.org)
- **Responsible TF coordinator:** check whether all necessary information is provided
- **Manufacturer:** do necessary corrections/additions
- **Responsible TF Coordinator:** share with all Coordinators (at least for the first instruments) if ok
- **Manufacturer:** do necessary corrections/additions
- **Responsible TF Coordinator:** share with respective Task Force to get peer review
- **Manufacturer:** do necessary corrections/additions
- **Responsible TF Coordinator:** organize presentation of instrument and tests during the meeting of the ICCTM
- **Responsible TF Coordinator:** organize full approval by task force (vote possibly via website)
- **Manufacturer:** do necessary corrections/additions
• ITMF would publish a list of recognized instruments, with a link to paper and manufacturer’s website

Other topics discussed were:
• how to ensure that the evaluation is not omitting data
• presentation of data, not best but realistic data
• possible conflicts of interest – it should be avoided that a manufacturer is a TF Coordinator of that particular group.

ICCTM Meeting 2012 in Bremen
It was agreed that the next meeting in Bremen will be conducted on one full day, including a joint session for all Task Forces. The meeting will take place on Tuesday, March 20, 2012 (9.00 to 17.30 hrs).

The TF Coordinators will meet for a preparation meeting on Monday, March 19 at 16.00 hrs.

Inputs from the ICCTM Steering Committee have been considered and are being worked on.

In case a considerable amount of time is needed for the presentation and the discussion about the respective recognition criteria for testing instruments only a limited amount of papers can be presented in Bremen.

To prepare the meeting, the Task Force Coordinators should encourage the members of their respective Task Forces to present at the ICCTM-Meeting. Prior to the meeting they should provide overviews with regard to:
• decisions to be taken during the meeting and
• presentations (including title).

Regarding recognition of testing instruments there might be several applications from instrument manufacturers.

HVI Guidelines
Instead of having different guidelines (ITMF-ICCTM, CSITC Task Force, and ICAC (outbreak session at the Plenary Meeting in Cape Town) it was suggested to have only one type of HVI guidelines in a single document combining best practices and needs for lab certification.

There will be a short and a long version available. Axel Drieling asked for inputs for the new version and whether topics were left out and/or should be added.

• Planned schedule (contributors, boards, final approval)
  - Add Contributors in December
  - In January to ITMF and CSITC for comments
  - In February to ITMF and CSITC for preparing approval

• Dissemination
• It was discussed to have 1’000 paper copies printed. Paper copies could also be distributed by manufacturers with new instruments. A download from different websites should also be offered: ITMF, ICAC, CSITC, USDA.AMS.
• Updates of the guidelines will be made available only electronically.
• ITMF offered to organize translation into Chinese. Translation into French is questionable.

Membership

The following applications for membership of the Federation were received since the last meeting of the Committee of Management in October 2010 and approved by way of correspondence:

Members associations
ATP – Associação Têxtil e Vestuária de Portugal, Portugal
VINATEX – Vietnam National Textile & Garment Group, Vietnam

Associate member
ACIMIT – Association of Italian Textile Machinery Manufacturers, Italy

Corporate members
Hindoostan Mills Ltd., India
Lenzing AG, Austria
Messe Frankfurt Exhibition GmbH, Germany
Nishat (Chunian) Limited, Pakistan
Prilla 2000 (Pty) Ltd., South Africa
PT Texcoms, Indonesia
Reliance Industries Limited, India

Date and Place of Next Annual Conference

The Committee accepted with thanks the invitation of VINATEX (the Vietnam National Textile & Garment Group) to hold the 2012 Annual Conference in Hanoi from November 4 – 6.

Concluding Remarks by the President

Mr. Ali Mohammad thanked the Committee’s members for a good and efficient meeting in light of the given time constraints. He wished all the participants an interesting conference and pleasant social activities. Finally, he invited everybody to convene next year in Hanoi/Vietnam during the ITMF Annual Conference 2012.
Dr. Christian Schindler / Director General

International Textile Manufacturers Federation
Wiedingstrasse 9
CH-8055 Zürich
Switzerland

By email: Christian_Schindler@itmf.org

15 August 2011

Dear Mr Schindler,

I want to thank you for your letter of 8 November 2010 and the time you and your colleagues have taken to share your concerns with us. I appreciate your efforts to ensure that BCI’s communication around creating more sustainable cotton production globally is understood and supported by the wider community.

At BCI, we’ve given extensive consideration to your apprehension regarding the word ‘better’ in our organisational name and brand materials. We have discussed it extensively internally, raised the issue in Council and explored alternative possibilities.

The BCI team is in complete agreement with you that the ‘better’ in ‘Better Cotton’ should not be confused with better quality. That is why, where ever we can, we prominently highlight our strap line: “better for the people who produce it, better for the environment it grows in and better for the sector’s future.” We try to be very clear in placing “Better Cotton” in the context of increased sustainability, and this has been our goal from the very start. Even in cases where our production criteria call for reduced contamination, we are careful not to infer a higher quality, but merely less contamination.

Concretely, I have reminded the senior management team, all of whom are fully aware of this issue, to make sure that all communications, both formally and informally, support a clear understanding of what ‘better’ means for Better Cotton. I have specifically briefed our new Communications Manager and asked him to be extra sensitive with regard to the definition of “better” in Better Cotton (although, like many not-for-profit organisations, we are facing a funding shortfall, I have chosen to increase our budget line for communications, in order to effectively address concerns such as yours and build proper awareness and understanding of the meaning of Better Cotton).

Furthermore, at our Council meeting in May this year, I made sure that the matter above was given full and careful consideration. You will not be surprised to hear that the Council agreed that a clear understanding of what Better Cotton means is essential to our future success. However, it was also agreed at this meeting that the choice of name and brand will always present challenges, and no effective wording will ever be chosen that won’t be open to some kind of misinterpretation, or overlap in some way with other initiatives. After lengthy discussion, it was decided by the Council that the use of the name and brand should remain unchanged.

As you can see, the entire management team, the BCI Council and the rest of the BCI organisation have been enlisted to stay on top of this issue and ensure that any misunderstandings are kept to a minimum.

Lise Melvin, Executive Director, lise.melvin@bettercotton.org, +49 22 93 91 254
Address: Rue des Asters 22, 1202 Geneva, Switzerland
Email: lise.melvin@bettercotton.org Web: www.bettercotton.org
Please be assured that we are fully committed to working closely with you to ensure that the meaning of ‘better’ in the context of Better Cotton is clearly understood. With your pivotal role in the cotton community, we greatly appreciate your support in helping us address any misunderstandings, and value your cooperation and commitment in promoting a more sustainable cotton industry.

I would welcome an opportunity to follow up this letter with a discussion on how we can work together to prevent any future confusion around the use of the word ‘better’.

Thank you again for your positive support and the constructive concern that you have shown for the success of the Better Cotton Initiative to date.

With warmest regards,

[Signature]

Lise Melvin
Executive Director

-- ends --
Mr. Kai Hughes  
Managing Director  
The International Cotton Association, Ltd.  
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Edmund Street  
Liverpool L3 9LH  
UK  

via email: md@ica-ltd.org  

March 8, 2011  

Dear Kai,  

At the meeting of ITMF’s Joint Cotton Committee during the ITMF Annual Conference your letter dated September 3, 2010 was reviewed by the Committee and I was instructed to report to you the comments made during that meeting.

1) Bylaws and Rules of ICA

The Committee though appreciating that the Rules are the default position, it was still felt that Rules 225 and 226 are too loose in their instruction as regards fixing the date of closure. We understand the custom to adopt the date “when the parties knew or should have known”, but this leaves much room for interpretation. The Committee suggestion is the date should be when one party indicates their intention to arbitrate in writing to the other party, and that any subsequent discussion perhaps attempting to avoid the arbitration should not be viewed as an extension of the contract. Members have experienced examples when a clear declaration of the intention to arbitrate was issued, the other party vacillating, claiming a few more days and perhaps a month later, the claiming party advises that time has run out and presents the details to the Association together with their nominated arbitrator. The tribunal has then taken the second date as the date of closure claiming that, as discussions were continuing the effective closeout had not yet occurred. The fact being that the claimant initially “threatening” arbitration in order to bring the other party to the table is thereby prejudiced by any market fluctuation during this period.

The Committee’s suggestion is therefore that the rules should clearly state that the date of closure is the day in which the claimant indicates his intention to arbitrate. Alternatively that it is clear that when making their first indication of arbitration that they may reserve their rights to close out on that day. Currently it is not clear if “reserving one rights” is acceptable under the ICA Rules and the Arbitration Act since market fluctuations could have a bearing even on this.

2) Mediation and Conciliation

The Committee was pleased to note that progress was being made as regards mediation. We would appreciate if at all possible to have a copy of the model of Brazilian Ethics Committee on the subject. Likewise the question of a sole arbitrator or procedures for smaller claims to reduce arbitration costs was discussed during the meeting. The Committee would like to request the ICA to endeavor to reduce the cost of arbitration whenever possible with alternative procedures.
3) Carryings

The issue of reverse carrying charges for late shipment has been under discussion for quite some time. The Committee understood the dilemma of spinners in this regard. Most international traders include in their contracts, clauses which allow them to collect carrying charges in the event of the spinner failing to open a letter of credit in time but they refuse including a clause to pay carrying charges in the event of their delaying the shipment. Consequently, spinners are forced to buy cotton elsewhere or cut down the production. The Committee wished to recall and remind the ICA that the spinners are seeking fairness and justice by incorporating the reverse carrying charges in their Bylaws / Rules. This will provide parity of treatment between buyers and sellers.

4) Membership structure

The Committee was pleased to note that the ICA was in the process of introducing a new membership structure which will make membership of ICA for mills more attractive than before.

5) Rules for quality assessment and penalties

The Committee noted that there had been no changes regarding the inclusion of provisions for disputes in quality evaluations other than micronaire and strength. The Committee would like to recommend the inclusion of other parameters, like staple length and uniformity in the Rules.

6) ICA Contract Form

The Committee also raised other issues like amendments to the International Shipment Contract Form 1 that requires some considerable revising in order to make it useful in today’s cotton trading environment.

We would appreciate if you could present the above-mentioned comments to the ICA-Board.

Sincerely yours,

Dr. Christian Schindler
Director General
The International Cotton Association Limited

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6 September 2011

Dr. Christian Schindler
Director General
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christian.schindler@itmf.org

Dear Christian,

Many thanks for your letter dated 8 March 2011 in which you reported to the ICA the outcome of discussions held by ITMF’s Joint Cotton Committee. The letter was reviewed by the ICA Directors and I am pleased to update you on the following issues you raised:

1. **Bylaws and Rules – Rules 225 and 226**

   The issues surrounding the interpretation of Rules 225 and 226 have been discussed at length by the ICA Directors at their last two meetings. Appreciating the need for a review of these Rules in light of the current volatile trading conditions, the Directors appointed a special committee to consider whether there was a requirement for Rules 225 and 226 to be amended. The outcome of this committee’s review was that the Rules are robust enough to withstand any possible contestation – ultimately, it is the job of the arbitrator, having taken all the relevant evidence into account, to determine the date of closure that will result in a fair settlement. Later this week our local arbitrators will hold a forum to discuss the issues arising from the implementation and interpretation of Rules 225 and 226 in the current trading environment, and I will of course update you of the outcome of this forum in due course.

2. **Mediation and conciliation**

   Noting your request for the ICA to consider reducing the cost of arbitration with alternative procedures and I am pleased to advise that at their last meeting, the Directors approved a small claims arbitration procedure designed for that very purpose. This new procedure, to come into force on 1 January 2012, allows for ICA members to bring disputes with a value at or less than US $25,000 to arbitration, with lower application fees than standard technical arbitration. Such cases will be heard by a sole arbitrator to further reduce costs. Introducing procedures for mediation and conciliation within the Bylaws and Rules is something that we need to look at with some detail and it is still on our ‘to do’ list. I would envisage that we shall start looking at this next year.
3. Carryings

A proposal for delayed shipment charges was presented to our Board last year. Unfortunately, the terms of that proposal were not acceptable to some Directors on the Board so it was agreed not to proceed with that proposal. The issue will be again raised at the Board’s Strategic meeting in October to find some common areas where agreement may be reached and allow a new proposal to be put forward to the Board.

4. Membership structure

Having introduced our new membership structure on 1 January 2011 we have been extremely pleased with the progress made in attracting more mills to ICA membership. To date, we have had 24 new firms join under the ‘Principal Firm – Producers & Mills’ category.

5. Rules for quality assessment and penalties

The Directors noted your recommendation to include other parameters in the Rules concerning quality evaluations. The Rules Committee is currently conducting a full review of the complete Rule Book and I will certainly communicate your comments to the committee when it comes to look at the quality section. Furthermore, as we move towards the launch of ‘ICA Bremen’ - our new centre of excellence for quality matters – I am sure that gaining the expertise of our new colleagues in Bremen will provide an ideal opportunity for us to identify any potential areas for improvement in our quality related Rules when the company is up and running.

6. ICA Contract Form

As above, the Rules Committee, in its full review of the Rule Book, will assess the validity of the ICA Contract Form in today’s trading environment and will make recommendations to the Directors accordingly.

My thanks once again, Christian, for keeping the ICA informed of the Joint Cotton Committee’s deliberations. The Directors and I appreciate your thoughtful input into such matters and welcome further co-operation between our two associations as we continue to support the industry in uncertain times.

Yours sincerely,

Kai Hughes
Managing Director
Summary

World cotton prices rose by 27% during 2009/10, and the Cotlook A Index averaged 78 cents per pound, the highest since 1995/96. Cotton prices then exploded during 2010/11, with the A Index reaching an average of $1.64 per pound and daily quotes in March 2011 of more than $2. In addition, the volatility in prices, measured as the spread in percent from the highest to the lowest quotes of the season, was three times the average.

During 2010/11, the Cotlook A Index was 85 cents per pound higher on average than it had been during 2009/10.

A theoretical model was constructed to look at how the increase in cotton prices during 2010/11 might affect the cost of manufacturing certain cotton-rich apparel items. This was done by looking at the average weight of four apparel items on retail shelves. The retail weights of four items, t-shirts, polo shirts, a woven shirt and a pair of jeans ranges from 0.4 pounds to 1.54 pounds each.

When waste is considered, the amount of cotton required to manufacture each of the four cotton-rich items ranges from 0.41 to 1.92 pounds.

Multiplying fiber weight by the average increase in the A Index between 2009/10 and 2010/11, 85 cents per pound, results in estimates of the increases in fiber costs for each of the four items. The estimates range from 35 cents for a t-shirt to $1.63 for a pair of jeans. (In this analysis, the value of waste was not subtracted from the estimated increase in manufacturing costs.)

As a share of retail prices, the changes in manufacturing costs associated with the increase in cotton prices alone is small, ranging from 1.5% for a woven shirt to 4.5% for a pair of jeans. (Retail prices are based on Cotton Incorporated surveys of US retailers. The prices are not weighted by channel; that is prices for jeans in Wal-Mart are not weighted more heavily than prices for jeans sold by the GAP. This will tend to inflate the estimated retail price since more weight is sold at lower price points, but the conclusion would remain the same, that cotton is a small component of total retail costs.)

While the theoretical model can be useful for looking at how prices downstream could be affected by fiber costs, it is also necessary to look at how prices of cotton, yarn, fabric, and apparel have actually behaved. Relative prices of cotton, cotton yarn and cotton fabric are shown as indexes, with 2004/05 equal to 100.

Data Sources:
A Index: Cotlook
Yarn Index: Cotlook, analogous to the A Index – reflects movements in world yarn prices for 20 and 30 count yarn.
Fabric prices are estimated from Chinese imports of HS code 5209, which are heavyweight cotton fabric (>85% cotton): China is the largest importer and exporter of fabric. Data on imports are assumed to be the more accurate.

Fiber and yarn prices tend to move in tandem. Both fiber and yarn prices peaked in March 2011.

The peak in yarn prices was much smaller in terms of relative magnitude than the peak for cotton fiber. The difference between yarn prices and fiber on a cost per weight basis is relatively constant. This suggests that if fiber prices go up about 85 cents/lb. then yarn prices will also rise by about 85 cents/lb.

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With yarn prices being a product of fiber as well as other inputs like electricity, capital, and labor, yarn prices are higher on a cost per weight basis than fiber. The yarn counts that are used to derive the Cotlook Yarn Index are 20 and 30 count yarns. These yarn prices tend to be about twice the level of fiber prices on a cost per weight basis. As a result, the same 85-cents/lb. increase at the yarn level will result in about half the percentage change that it was for fiber.

The same general pattern of lower percentage impacts of higher cotton costs as you move up the value chain is true throughout the supply chain. Fabric prices may have formed a peak in June 2011. We will need to look at additional data to determine whether this is the case. We can say, however, that the magnitude of the increase appears to be lower than it was for yarn.

Based on the 2010 ITMF International Cost of Production Comparison, fiber represented 60% of the cost of ring-spun yarn in China and 80% of the cost for Open-end yarn. (China was selected as an example since 40% of the world’s raw cotton is consumed there. Aggregation across countries may not be accurate given differences in costs affected by electricity incentives, wages, and other factors.)

Furthermore, yarn represents about half of the cost of producing woven fabric. (Yarn is an even bigger share of the cost of producing knit fabric.)

Taking the proportion of costs that were from fiber at the yarn stage and multiplying by the proportion of yarn in fabric costs, the proportion of fiber in fabric prices is about half of what it was at the yarn stage. This pattern of lower relative importance as more value is added holds throughout the rest of the supply chain as well.

Finally, we look again at the indexes of prices of cotton, cotton yarn and cotton fabric, and now add information about the cost of garments to retailers and final prices for garments charged by retailers.

Data sources:
Garment prices: average price of cotton-dominant apparel (>51% cotton by weight), square meter equivalent, into the U.S.
Retail prices: US Apparel (less footwear) Consumer Price Index

Because of the scale used to evaluate changes in cotton prices, it can be hard to see the increases that took place at the stages of import cost and retail prices. But, if we zoom in and change the scale, we can see that there have been important increases at these stages. Cotton-dominant apparel import prices in July 2011 (latest data available as of September 2011) were more than 20% higher year-over-year than they had been in July 2010.

Retail apparel prices have also moved higher, and by July 2011, they were 3.6% higher than a year earlier. (Note that the percentage change in retail prices of apparel items is similar to the percent contribution of the 85-cents per pound increase in cotton prices to retail prices shown earlier.)

There is a relatively large difference between import and retail apparel prices. As an example, the average import price for a pair of jeans is between $8 and $9, and the average retail price is about $27.

The rise in cotton prices seems to have had a bigger impact on the import costs of home textiles than apparel. Based on U.S. import data, the average cost of cotton dominant apparel imports rose 23% from July 2010 to July 2011, while the cost of cotton sheets rose by 28% and cotton towels by 31%. There is less cost associated with labor in the production of home textiles.

A major question for the cotton value chain is how consumers will react to the rise in consumer prices. Consumer prices for apparel fell from an index value of 132 (1981-83 = 100) in the mid 1990s to 113 by 2010 and have now increased to an index value of about 118.

As a share of total consumer spending, expenditures on apparel and home textiles accounts for less than 4% in the United States. Nevertheless, consumer budgets are being squeezed by increases in energy and health care costs, and we have no precedent to predict how spending patterns will change in response to the rise in apparel and home furnishing prices. Obviously, unit sales will decline from both income and substitution effects. But, apparel and home furnishings are necessary goods, and the percentage decline in unit purchases may be less than the percentage increase in prices, resulting in increased spending.
Guidelines for Instrument Recognition
(Version 1.2 - October 2011)

For instrument recognition by ITMF the applicant (instrument manufacturer) should implement all the chapters in his recognition application as soon as applicable.

Please keep all numbered chapters in this order and with same nomination.

Bullet point topics are optional. Additional explanations are given in italics.

1. Instrument
   • Instrument
   • Target type of recognition

2. General description

3. Target group

4. Function principle

5. Usefulness / Benefits

6. Application range of testing (kind of fibres, preparation, result range)
   • Range for Recognition
   • Additional Range

7. Result parameters and definitions
   • Recognized parameters
   • Other parameters
   • Printout example (tables and graphs)
   • (Name calculation of the result parameters)
   • (If applicable name given Standard Test Method like ASTM… for parameter definition)

8. Testing procedure
   • Number of tests
   • Description
   • Necessary surrounding

9. Testing preparation time, sample preparation time and testing time
   • Based on the number of tests mentioned in chapter 8: total time, time for each step
   • Possible addition: time for single tests

10. Reference method, reference materials
    • Reference Method
    • Calibration material (which, from where)
    • How to calibrate
11. Standard test methods (and limitations in use)

12. Test Result Repeatability / Reproducibility
   • *with summary at the end of each topic*

   12.1. Repeatability of the basic systems / basic test

   12.2. Repeatability on same specimen
      • *Including different days (preferably min 10 days)*

   12.3. Repeatability on similar test material
      • *Have to cover the whole testing range for each property*
      • *Sufficient repetitions (based of number of tests defined in chapter 8/9)*
      • *Cover different days*
      • *Give variation between tests according to chapter 8/9, and give variation between days*

   12.4. Reproducibility
      • *Best based on round trials*
      • *More than one sample, trying to cover the range*
      • *Preferably at least 5 instruments in different labs*

   12.5. Summary: resolution discrimination for different samples
      • *(based on the given number of repetitions!)*

13. Comparison to reference method
   • *Give reasons for systematic deviations / influences*

14. Comparison to other test methods in round trials

15. Manufacturer-independent check

16. External influences / Measurement uncertainty
   • *(e.g. humidity, operator influence, sampling, cross contamination)*
   • *Quantification*
   • *Trying to cover the range*

17. Maintenance & service

18. Additional information
   • *Option for additional information deemed appropriate by the manufacturer*

19. Technical data / Instrument settings

20. Manufacturer contact for information

21. Responsible ITFM ICCTM Task Force Coordinator
   • *To be filled in by the Task Force Coordinator*
   • Task Force, Name, e-mail
   • Status of recognition

22. Additional information for peer reviewers
   • *Criteria being used, benefit given, was all needed information given*