Spinners Committee

September 19, 2011
10.00 – 11.30 hours

Hotel Rey Juan Carlos I
Barcelona/Spain

Present:

Honorary Life Members:
Herwig Strolz (Switzerland)
Walter Simeoni (South Africa)

Members:
Andrew Macdonald (Brazil) – Chairman
Steven Chen (Taiwan, China) – Vice Chairman
Ziad Bashir (Pakistan)
Werner Bieri (USA)
Romano Bonadei (Italy)
B.K. Patodia (India)
Enrique Crouse (South Africa)

Guest:
Terry Townsend (ICAC)
Minutes

1. Opening Remarks by the Chairman

The Chairman of the Committee, Mr. Andrew Macdonald (Brazil), opened the meeting by welcoming everybody to the meeting.

2. 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.

3. 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.

4. 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.

5. 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 attached document no. 1).

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.
6. 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 attached document no. 2).

The Committee agreed that it is not necessary to form a new working group for further discussions, but 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

December 1, 2011