Spinners Committee

November 4, 2012
09:00-10:30 hrs.
Function Room 4
Melia Hotel
Hanoi / Vietnam

Minutes

Present:
Honorary Life Members:
Walter Simeoni (South Africa)

Members:
Andrew Macdonald (Brazil) – Chairman
Steven Chen (Taiwan, China) – Vice Chairman
Romano Bonadei (Italy)
Enrique Crouse (South Africa)
Nevzat Seyok (Turkey)
Christian Schindler (ITMF)

Guests:
Bashir H. Ali Mohammad (ITMF President, Pakistan)
Jeff Elder (J. G. Boswell Company, USA)
Fritz Grobien (Bremen Cotton Exchange, Germany)
Terry Townsend (ICAC)
1. Opening Remarks by the Chairman

The Chairman of the Committee, Mr. Andrew Macdonald (Brazil), opened the meeting with a few introductory remarks, and thanked the guests for giving the Committee their time. The Committee was updated on Mr. Werner Bieri’s state of health and it requested the Director General to send a message in the name of the Committee to Werner wishing him well and looking forward to the next meeting with his presence.

2. Spinners’ Committee Country Visit to Turkey in 2011

The Chairman showed photos taken during the visit to Turkey (October 23-28, 2011) and summarized the impressions and recommendations of the report. It was circulated among the Committee’s members and among all ITMF members. The report is available as a free-download at the ITMF-website.

3. Spinners’ Committee Country Visit to Australia in 2012

The Chairman showed photos taken during the visit to Australia (April 30-May 4, 2012) and summarized the impressions and recommendations of the Committee’s report. Among other impressions he pointed out that it was very interesting to see the new so called “round modules” which are automatically wrapped and placed at the edges of the cotton fields, using the new harvesting machines from John Deere. Since these bales are considerably smaller than the conventional larger modules, the concern is that the seed cotton will be less blended in these modules than in larger modules which could result in less even running cotton at the spinning level. The report was circulated among the Committee’s members as well as among all ITMF members and is available as a free-download on the ITMF-website.

4. Consequences of the Volatility of Cotton Prices for Spinners

The Committee discussed the consequences of cotton price volatility, the relationship between yarn and cotton prices and the risks this presents to spinners, and how these risks might be minimized.

It was mentioned that in the past yarn forward selling was relatively common, and for this there existed the Osaka Future Yarn Contract but this was closed many years ago. In theory cotton yarns can be hedged with cotton futures; but there are so many different yarn types nowadays that in practice it is not done. In addition the global cotton yarn market realities are such that there are always some desperate spinners that are selling at a discount.

Terry Townsend pointed out that cotton price volatility during the past decades was relatively low and that there were only two periods during which volatility was very strong (1986/87 and 2010/2011). In the aftermath of the price hikes in 2010/2011, volatility was much reduced in 2011/2012. He especially referred to other commodities that recorded even higher volatilities into the 2011/2012 season.

The Chair point out that even so a very considerable amount of money had been lost by both spinners and the trade due to the volatility of 2010/2011 and therefore new thoughts should be brought to bear on the problem.

It was therefore discussed whether an insurance solution could be developed, referring to the Chair’s proposal presented on behalf of the Spinners in Bangkok in March 2011. The Chairman advised that the ICA Board was studying an insurance scheme, but he was rather doubtful as to the possible outcome, without the use of options and futures to protect the underwriters.
Still hedging yarn with cotton futures, though not perfect could be a way forward and further studies were underway.

5. Defaults and Enforcement

The Committee discussed how ITMF could assist in the current default scenario, since defaulters who are not fulfilling arbitral awards tend to be unfair competitors for those cotton spinners, who honour their contractual obligations.

The Committee agreed that a working group should be established immediately to establish the ITMF “Code of Conduct” for our members and associates, which would include the aspect of sanctity of contracts for cotton and any other raw material.

6. Better Cotton Initiative (BCI)

The Chair informed the meeting about the current situation/development of BCI. He reiterated ITMF’s point of view that the term “better cotton” used by the Better Cotton Initiative (BCI) is not appropriate as it is suggesting that the cotton produced within the BCI scheme is better in quality as compared to other cottons. In reality the term means that the cotton production of a certain cotton growth has been improved in comparison to the previous season.

The Committee noted that while in theory no premium should be paid for BCI cotton, in practice often a premium is being paid by spinners.

The Committee concurred with the concept that BCI should become the overall body for all sustainable cotton production, including such cotton producing countries like Australia (BMP) and the USA.

Terry Townsend explained to the Committee the concept of Mass Balance Administration (MBa), which has been suggested to be used for cotton within the textile value chain industry, as this would reduce the cost for traceability considerably.

For example in the palm oil industry, MBa is based on a credit scheme, the certified producer receives a credit for his production, which he can pass on to his buyer, but the actual physical oil does not have to be traced to the final consumer, but the producer is rewarded for being certified encouraging all to do the same.

The system therefore allows mixing of certified and non-certified palm oil, and as such the volume of certified outputs never exceeds the certified inputs.

7. Cotton Contamination Survey 2011

The Director General gave a short summary on the results of the Cotton Contamination Survey 2011, especially on the acceptance of the online-version. The main result was that after some improvements in the recent past foreign matter, stickiness and seed-coat fragments in raw cotton still pose serious challenges to the cotton spinning industry worldwide. In the 2011 report, 119 spinning mills located in 24 countries evaluated 71 different cotton growths. The participation was higher than in 2009 and the online-participation is now well established. The Cotton Contamination Report 2011 is available as free download at the ITMF-website.

8. International Committee of Cotton Testing Methods (ICCTM)

The Director General informed the Committee about the activities of the ICCTM since September 2011, the last meeting of the Spinner Committee. The ICCTM met for its regular meeting in March 2012 at the fringes of the International Bremen Cotton Conference in Bremen/Germany. The main results of the meeting were, first, that two
cotton testing machines were “recognized” by the Committee. More information about the “recognized” testing machines can be found on the following website: http://www.itmf.org/wb/pages/home/committees/international-committee-on-cotton-testing-methods/icctm-recognition.php. Second, the Committee changed the structure of its executive body by replacing the individual Task Force Coordinators with an Executive Committee that is coordinating the activities jointly. The report of the meeting in Bremen will be made available on the ITMF-website in due time.

9. Committee Membership

The Committee discussed how a higher participation in meetings/country visits can be accomplished in future. The number of Committee members is currently 12. It was discussed whether also spinners of man-made fibres should be invited to become members of the Committee and whether also raw material and spinning issues related to man-made fibres should be discussed. In this context it was also discussed whether the name of the Committee should be changed/adapted. Furthermore, also the question of alternative members was discussed. This would mean that a member of the Committee could nominate a substitute that could also participate in meetings/activities of the Committee.

The Committee agreed to leave the name of the Spinners Committee unchanged to also discuss spinning issues in connection with man-made fibres. It agreed also to introduce the concept of “alternative” members (substitutes).

10. Next Country Visit

The Chairman informed the Committee that Mr. B.K. Patodia (India) has invited the Committee to visit India in 2013. The Committee appreciated very much this invitation to visit India again after its last visit in 2008. The development and changes in India’s cotton industry have been significant so that such a visit of an increasingly important cotton producing and consuming country is recommendable. The Committee agreed unanimously to visit India in 2013 after the Diwali festival in November/December.

11. Next Annual Committee Meeting

It is proposed that the next annual meeting of the Committee will be held in connection with ITMF Annual Conference 2013 which will be held in Bregenz/Austria from September 8-10, 2013.

December 2012