Joint Cotton Committee

Minutes

September 10, 2015
10:30-12:00 hrs.
Grand Ballroom, Westin St. Francis Hotel
San Francisco/USA

1. Opening Remarks by the Chairman

The Chairman of the Committee, Mr. Jeff Elder (USA), opened the meeting with a few introductory remarks.

2. Presentation by Mr. Axel Drieling, Bremen Cotton Exchange, Germany

Mr. Drieling delivered a presentation with the title “Cotton Testing Round Trials Prove their Benefit for All Stakeholders”.

3. ICAC Task Force “Commercial Standardization of Instrument Testing of Cotton” (CSITC)

Following on the presentation by Mr. Drieling, the Chairman of the ICAC Task Force, Mr. Andrew Macdonald, asked for suggestions on how we can achieve more active participation from international spinners and traders in CSTIC thus moving forward towards trading of cotton that is 100% instrument tested.

It was argued that cotton associations around the world should consider the CSITC-testing results in their arbitration cases.

ICA-Bremen is certifying cotton testing laboratories. Currently, only 3 laboratories have managed to meet the standards of ICA-Bremen. One important pre-condition to be certified by ICA-Bremen is the participation in the CSITC-Round Trials.

4. Comments from the ITMF Spinners Committee

Mr. Andrew Macdonald, Chairman of the Spinners Committee, reported that the Committee was unanimously of the opinion that value differences should not be fixed by the ICA but negotiated between the parties involved. The Spinners Committee agreed to discuss this topic in more detail with the ICA Consumers Committee.
5. **World Cotton Contract**

Mr. Nick Earlam was invited to give a short summary and update on the World Cotton Contract.

The World Cotton Contract will trade alongside the benchmark Cotton No. 2 contract, which prices cotton grown and delivered in the United States only.

The new World Cotton Contract will price delivery of nine different origins – USA, Australia, Brazil, India, Benin, Burkina Faso, Cameroon, Ivory Coast and Mali – that account for approx. 75% of world cotton exports. US cotton will be the reference cotton with all others carrying either a premium or a discount. There are 12 different delivery points in four countries:

**USA** (Memphis, Greenville, Dallas/Ft. Worth, Houston, Galvestone)

**Australia** (Melbourne, Sydney, Brisbane)

**Taiwan** (Port Keelung, Port Kaoshiung)

**Malaysia** (Port Kelang, Port Tanjung Pelepas).

The par description for the new contract is Colour 31/Middling, Staple 36, Leaf 3, Strength 27 and Micronaire 3.5-4.9.

Outside the USA the ICA Bremen will be only laboratory that can carry out classification of cotton for inclusion in the certified stocks of the ICE.

The launch of the World Cotton Contract is November 2015 with the first delivery month in May 2016.

Additional information is available on the website of the Intercontinental Exchange: [https://www.theice.com/article/world-cotton](https://www.theice.com/article/world-cotton).

6. **Comments on the future of Long and Extra Long Staple Cotton**

The Chairman opened the discussion on the current situation of LS and ELS cotton by stating that LS and ELS cotton production was in decline in recent years due to low demand. In addition California/USA was and still is suffering from a drought and in Xinjiang/China only upland cotton was subsidized in recent years.

The cotton policy in Xinjiang was changed this year with ELS cotton receiving now a 30% higher subsidy than upland cotton. It is expected that due to higher subsidy ELS production in 2015/2016 will reach approx. 137'000 tons as compared to approx. 65'000 tons in 2014/2015. In the US production in 2015/16 is expected to be around 100'000 (-50%) due to the long-term drought which resulted in reduced average. In Egypt, production is under pressure as a result of low prices. For 2015/16 production is estimated at around 80'000 tons (-30%). In India production is forecast to be slightly lower at around 80'000 (-10%) in 2015/16.

The discussion showed that demand for ELS cotton is flat in the US and the EU in both segments, apparel and home textiles.

With regard to the availability of quota for the imports of ELS cotton to China, there seem to be enough quota available. It is highly unlikely that ELS cotton will be exported from China.

The meeting was informed that testing results showed that in approx. 50% of all cases where Pima/Supima products were tested, the ELS content was not 100%. This leads to the assumption that often such products consist of a blend of upland cotton and ELS cotton.
7. **Update Cotton LEADS**

Mr. Mark Messura, Cotton Incorporated, gave an update on the Cotton LEADS which is a program initiated by the Australia and the USA and committed to responsibly and sustainably produced cotton. In this context he stated that there is no commonly accepted definition on sustainability. Nevertheless, Cotton LEADS is continuously working on improving the environmental footprint of cotton production. Since 1980, cotton production in the USA became more sustainable:

- Land use: 30% reduction per unit of production
- Soil erosion: 68% reduction per unit of production
- Irrigation water applied: 75% reduction per unit of production
- Energy use: 31% reduction per unit of production
- Greenhouse gas emissions: 22% reduction per unit of production

He pointed out that unlike BCI (Better Cotton Initiative) which is focusing on individual farms and certifying farms, Cotton LEADS is a field to market program that offers cottons which were produced under responsible production practices.

He further emphasised that Cotton LEADS is not a program that aims at better prices. In this context it was stated that often spinners have to pay a premium for BCI-cotton which is problematic as it reduces the spinners’ profitability. If retailers ask exclusively for BCI cotton for which spinners have to pay a premium, BCI is becoming a trade barrier.

More information about Cotton LEADS is available on the website: [www.cottonleads.com](http://www.cottonleads.com).

8. **China’s Cotton Policy**

Ms. Zhu Beina, Chairwoman, China Cotton Textile Association (CCTA), gave a short overview of the Chinese cotton policy since 2011. She stated that the cotton policy introduced in 2011 led to an accumulation of cotton stocks in the state reserves of up to 12 million tons which is more than the annual cotton consumption in China of around 7-8 million tons. The cotton policy was changed in 2014/2015 from a guaranteed cotton price to a more market-oriented system with payments of subsidies whereby the government pays a subsidy in the amount of the difference between a target price set by the government and the respective market price. Since international cotton prices fell quickly after their record highs in March 2011 below the guaranteed Chinese cotton price, cotton spinners in China were hesitant to buy Chinese cotton and imported more cotton. In addition, with Chinese cotton yarns produced of Chinese cotton being relatively expensive compared to foreign cotton yarns, yarn imports had soared. As a result cotton consumption in China dropped significantly in the past few years. As far as quota for cotton imports are concerned, she stated that beyond the minimum quota no additional quota would be available in 2015. This should have the purpose of increasing the consumption of Chinese cotton.

The following discussion confirmed that Chinese cotton spinners faced and are still facing a very difficult situation. One difficult question for Chinese spinners is for example what the quality of the cotton in the state’s warehouses is like? A large bulk of the 12 million tons of cotton has been stored for more than 2 years. This raises the question whether, and if so, to what extent the quality parameters have deteriorated over time.

As a result of weak demand and a lack of support for ELS cotton, production had dropped significantly from 130’000 tons in 2011 to only 38’000 tons in 2013 (source. ICAC).
9. **India’s Cotton Industry**

Mr. Suresh Kotak, Kotak Ginning & Pressing Industries (India), gave a short presentation on the some developments in the India’s cotton industry.

He stated that India’s has become the largest producer of cotton in 2014/15 and that it has more potential to increase cotton production by increasing yield. With the average yield in India below the world average, especially in the important cotton growing state of Maharashtra, the potential is significant. In this context, he pointed out that yields in Rajasthan increased significantly in recent years from 700 kg to 1’000 kg per hectare.

Furthermore, it was interesting to learn that there are plans to grow ELS cotton in Rajasthan by the year 2018.

During the discussion it was stated that the current procurement policy is likely to continue also in 2016 with cotton prices unlikely to go up with world cotton stocks at approx. 20 million tons.

On the one hand, new investments in additional spinning capacities supported by the availability of cotton and by strong cotton yarn demand from China have led to higher cotton yarn production. On the other hand, investments in shuttle-less looms are still relatively weak and hence also the production of woven fabrics is lagging behind that of yarn production.

10. **Elections of the Chairmanship**

Mr. Jeff Elder (J.G. Boswell Company, USA) thanked the members of the Committee for the privilege to serve as JCC-Chairman and for their support during the last six years. Mr. Christian Schindler, Director General, thanked Mr. Elder for his outstanding leadership and continuous support of the Committee by presenting him a token of appreciation.

The Committee was invited to elect a new Chairperson of the Joint Cotton Committee. Mr. Nick Earlam (Plexus, UK) was proposed by Mr. Schindler and seconded by Mr. Andrew Macdonald (Brazil) and elected unanimously as the new Chairman of the Committee.

November 2015
Cotton Testing Round Trials
Prove their Benefit for All Stakeholders

Axel Drieling
Bremen Fibre Institute (FIBRE)
ICA Bremen

ITMF Joint Cotton Committee
San Francisco, USA,
Sept. 10, 2015

CSITC Aim

Commercial Standardization of Instrument Testing of Cotton:
CSITC Task Force

– Aim: Adopt instrument testing instead of manual classing as an objective and reliable basis for cotton contracts
Ideally, all laboratories should, wherever they are located, achieve the same test results for the same bale / sample
Practically, there will always be some variation between test results
– Based on variations in the sample or between samples
  → unavoidable (?)
– Based on testing (instrument, surrounding, operator….)
  → this should and can be minimized!

Available Round Trials (1/2)

Suitable Measures

1. Standardization (same test method, parameters…)
2. Calibration (same and suitable calibration material)
3. Guidance for suitable testing
   → CSITC Guideline in 7 languages (available at csitc.org)
4. Round Trials
   – Round Trials are comparing results of different laboratories on the "same" sample = homogeneous samples from the same bale
5. Re-tests
6. Laboratory Certification

<table>
<thead>
<tr>
<th>Attribute</th>
<th>USDA-HVI Checktest</th>
<th>ICA Bremen Round Trial</th>
<th>CSITC Round Trial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realization</td>
<td>USDA-AMS</td>
<td>FIBRE</td>
<td>FIBRE and USDA-AMS</td>
</tr>
<tr>
<td>Number of participants</td>
<td>50 to 80 HVI instr.</td>
<td>110 to 150 HVI instr.</td>
<td>70 to 100 active labs per RT 100-160 HVI instruments</td>
</tr>
<tr>
<td>Kinds of instruments</td>
<td>HVI types</td>
<td>Every kind</td>
<td>HVI types</td>
</tr>
<tr>
<td>Cottons</td>
<td>US Upland</td>
<td>World</td>
<td>US Upland (+ homogeneity)</td>
</tr>
<tr>
<td>Costs</td>
<td>Annual fee</td>
<td>Free of charge</td>
<td>Annual fee 1000 USD</td>
</tr>
<tr>
<td>Frequency</td>
<td>12 times/year</td>
<td>3 times/year</td>
<td>4 times/year</td>
</tr>
<tr>
<td>Number of samples</td>
<td>2 samples</td>
<td>1 sample</td>
<td>4 samples</td>
</tr>
<tr>
<td>Number of tests per sample</td>
<td>12 tests per sample</td>
<td>Proposed: 6 tests per sample</td>
<td>30 tests per sample (fixed)</td>
</tr>
</tbody>
</table>
Available Round Trials (2/2)

<table>
<thead>
<tr>
<th>Attribute</th>
<th>USDA-HM</th>
<th>Bremen Round Trial</th>
<th>CSITC Round Trial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information to labs</td>
<td>Short table</td>
<td>Short table</td>
<td>Detailed analysis for improvements</td>
</tr>
<tr>
<td>Rating</td>
<td>No</td>
<td>No</td>
<td>Official laboratory evaluation</td>
</tr>
<tr>
<td>Evaluation of</td>
<td>Laboratory average</td>
<td>Laboratory average</td>
<td>Laboratory average and all single data</td>
</tr>
<tr>
<td>Evaluation of Trueness</td>
<td>Trueness Between instr. var</td>
<td>Trueness Between instr. variation</td>
<td>Trueness Between instr. variation + Precision within instr. Variation → 3 Between day variation</td>
</tr>
<tr>
<td>Additional benefit</td>
<td></td>
<td></td>
<td>Calibration Material delivered with the RT samples</td>
</tr>
</tbody>
</table>

CSITC Round Trials

- Executed jointly by FIBRE (evaluation) and USDA-AMS (samples), hosted by ICAC (registration, CSITC TF)
- Started in 2007
- Currently 111 labs are registered (2015)

Achievable Benefits from CSITC RTs

Benefits for Laboratories

- Labs can easily learn about their systematic deviations from the worldwide reference (and their variability)
- Labs can determine where they got problems / where they have to improve, can systematically target on given problems
- Labs get detailed information, allowing to analyze reasons for deviations
- Official validation / proof for their lab proficiency: grade
- Hence, laboratories should get more accurate over time; variation between laboratories should decrease over time.

Did the variation between laboratories actually decrease?

CSITC Round Trials Explanation

- 4 samples, 30 tests on 5 days, for 10 properties.
- 6 properties are taken for evaluation: Micronaire, Strength, Length (UHML), Length Uniformity, Color Rd and +b
- Analysis / Evaluation
  - Difference between each lab result and reference
  - Evaluation grade based on difference for each property (ranging from zero (best) to more than 1).
  - An Overall Evaluation Grade = average of all 6 properties (ranging from zero to more than 1)
  - Plus analysis of variation of single data
Improvement in Strength Variation

Strength, g/tex

Average SD interlab [30]

Improvement in Micronaire Variation

Micronaire

Average SD interlab [30]

Improvement in Length Variation

Length (UHML, inch)

Average SD interlab [30]

Improvement in Color Variation

Colour

Average SD interlab [30]
In average, participating labs are drastically improving!

**Improvements in Interlab. Variation**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Reduction, in % 2010 to 2014</th>
<th>Reduction, in % 2007 to 2014</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micronaire</td>
<td>-5%</td>
<td>-8%</td>
<td>slight improvement</td>
</tr>
<tr>
<td>Strength</td>
<td>-22%</td>
<td>-29%</td>
<td>strong improvement</td>
</tr>
<tr>
<td>Length (UHML, inch)</td>
<td>-10%</td>
<td>-10%</td>
<td>slight improvement</td>
</tr>
<tr>
<td>Length Uniformity</td>
<td>-4%</td>
<td>0</td>
<td>No improvement</td>
</tr>
<tr>
<td>Colour Rd</td>
<td>-38%</td>
<td>-27% *</td>
<td>strong improvement</td>
</tr>
<tr>
<td>Colour +b</td>
<td>-37%</td>
<td>-26% *</td>
<td>strong improvement</td>
</tr>
</tbody>
</table>

* Some changes from 2007 to 2010 based on additionally participating labs

**Improvements in Overall Lab Evaluation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Result of all participating instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.6</td>
</tr>
<tr>
<td>2011</td>
<td>0.55</td>
</tr>
<tr>
<td>2012</td>
<td>0.5</td>
</tr>
<tr>
<td>2013</td>
<td>0.45</td>
</tr>
<tr>
<td>2014</td>
<td>0.4</td>
</tr>
<tr>
<td>2015</td>
<td>0.35</td>
</tr>
</tbody>
</table>

Better half of all participating instruments

**Improvements of Exemplary Labs**

**Benefits for Laboratories**

- Labs do actually improve
- Labs are getting a reliable and objective evaluation of their proficiency based on result accuracy
Achievable Benefits from CSITC RTs

Benefits for Stakeholders (1/2)

• Less variation between laboratories for same bales
  ▸ Less claims based on differences between different labs
  **Benefit for all stakeholders (production, trading, spinners)**

• Suitable laboratories can be chosen based on objective criteria
  – Based on their (public) participation in the CSITC RTs
  – Based on their actual evaluation (if provided by the lab)
  **Benefit for all stakeholders without an own laboratory**

Achievable Benefits from CSITC RTs

Benefits for Stakeholders (2/2)

• Cotton producers
  – Long term consistent data
  – Proof that reliable data is provided to buyers

• Control companies … (self evident)

• Instrument manufacturers, research …

• Cotton spinners with own labs
  – (not necessary for daily work, as long as instr. is consistent)
  – Results from sellers … can be used in the same database with your data e.g. for bale laydowns, without additional tests in your labs
  – Doubts / claims should only be given or accepted based on re-tests with CSITC RT approved instruments (and suitable evaluation grade)

CSITC Round Trial Participation

• Asia 36% (8 countries; India 23 instr. per RT, Uzbek. 11, China 8)
• South America 23% (3 countries; Brazil 29 instr. per RT)
• North America 15% (1 country; USA 21 instr. per RT)
• Europe 11% (9 countries)
• Africa 10% (8 countries)
• Australia 5%

→ CSITC RTs are accepted everywhere in the world as an objective and effective tool for assuring accurate test results

Public List of Participants

All labs, except they do not wish to appear

List available on:
- CSITC.org
- ICAC.org
CSITC Round Trial Participation

Types of laboratories (where given):
• 72% Cotton production / cotton associations / control
• 9% Processing
• 21% Others (research, manufacturers, others)

→ Well accepted for cotton production and control companies, getting a standard for cotton production
→ Cotton processing labs are missing

Additional Measures

• Re-tests
  – Actually given samples re-tested by a second lab
  – Prove actual daily performance on given samples
  – In addition to Round Trials for close quality control

• Laboratory Certification
  – In-depth look into laboratory management and assured quality
  – General: ISO 17025 accreditation
  – Cotton Specific: ICA Bremen Certification
    (please contact info@ica-bremen.org)
  – Using Round Trial results as one important proof for lab accuracy

Any questions?

More info on CSITC and Round test results on csitc.org. Contact: drieling@faserinstitut.de