

Quarterly Update by Member Associations



Issue 2 – 23 October 2013

Welcome to the second issue of this Update, keeping you informed of the new developments at the Member Associations. This publication comes as a result of a decision reached at the 2012 Plenary Meeting that “To facilitate the understanding of the latest cotton related information in the countries of Member Associations and to make CICCA more pro-active if necessary, it was agreed that Member Associations would update their countries’ cotton market information on a quarterly basis, and this would be distributed within the CICCA forum.”

Any suggestions and comments would be greatly appreciated. The following Member Associations have contributed to this issue:

ACSA (USA), ACSA (Australia), AFCOT, ALCOTEXA, BBB, CAN, CCA, FITMI, GCA, ICA, IME and JCTA.

ACA - Association Cotonnière Africaine

(No update this time. Will update in the future.)

ACSA – American Cotton Shippers Association

ACSA continues its efforts through US Government agencies and members of Congress to persuade foreign governments to urge their respective textile industries to honor both contracts and arbitration awards issued by the ICA.

The US Farm Bill passage is still in question whether it can be accomplished this year, or will the present 2008 Bill be extended once again, as the previous extension expired September 30th. An extension would create serious complications for the US Cotton Industry in regard to the WTO ruling in the Brazilian cotton subsidy case.

The Dodd Frank Financial Reform Act rulemaking is an ongoing process that could be completed by the end of the year but most likely will be early 2014. Several rules and regulations being considered by the Commodity Futures Trading Commission will affect the cotton trade in the US. ACSA continues to monitor these regulations and to work with CFTC in considering the consequences these rules could have on the trade and to bring reason to such rules and to consider further review before implementation.

ACSA’s Arbitration rules utilized by its members in their contracts with cotton producers within the US witnessed the largest number of arbitration cases filed with ACSA since the arbitration rules inception. ACSA administered 62 cases from January 2011 to September 2013.

ACSA’s Chairman appointed in 2011 a committee to determine the need and to then produce a world cotton contract to be utilized for delivery of non US growths onto the futures market. The committee recently completed their work on specifications for an FOB/Origin contract that includes several different growths and delivery locations. ACSA has shared their committee’s work with the ICA’s World Contract Task Force in hope that the two organizations can work together in finding common ground to morph the two documents into one contract.

The ACSA International Cotton Institute completed its 19th year of providing its extensive curriculum to the world’s future cotton leadership. The class of 39 attendees came from 14 different countries this past summer for the 8 week program. We look forward to our 20th year of providing this proficient program to the international cotton industry.

ACSA – Australian Cotton Shippers Association

Consecutive good seasons have enabled a dramatic turnaround in Australian cotton production - and with it, an increased presence and position in the global trade. The past three crops have produced a total of 14 million bales, which is more than the total production from 2003-2010.

With the 2013 season wrapping up, and at the time of writing an estimated 20,000 bales remain un-ginned. The 2013 crop is estimated at around 4.5 million 227 kg bales of cotton. This number is almost 1 million bales less than the record producing 2012 crop.

The quality of this year's crop has been outstanding. Classing data consolidated by ACSA shows that more than 75% of the crop 21-3 and better and more than 97% with a staple length of 37 and longer and 95% was in the G5 micronaire range.

As growers prepare to plant, estimates suggest in excess of 4.25 million bales will be produced in 2014 with dryland plantings not likely to be high due to dry conditions.

AFCOT – Association Française Cotonnière

Taking place last week in Deauville, France, the Annual Cotton Trade Seminar and Dinner gathered together more than 300 people from 29 different countries.

The conference programme saw four presentations from

- 1) ECOBANK,
- 2) YARA International,
- 3) Better Cotton Initiative (BCI) and Cotton made in Africa (CMiA), and
- 4) Cotton Outlook.

The morning conferences were followed by a networking lunch.

During his speech, the president of the French Cotton Association, Mr Frédéric Viel announced that the next meeting would take place in October 2014 in Cannes (French Riviera).

ALCOTEXA - Alexandria Cotton Exporters' Association

	Commitments	Shipped	Value
	Tons	Tons	\$
1st Quarter	15,466	6,925	44,014,514
2nd Quarter	26,924	17,286	78,298,414
3rd Quarter	24,828	24,204	75,853,044
4th Quarter	4,951	18,683	18,129,012
Total	72,169	67,098	216,294,984

BBB – Bremer Baumwollbörse

Raw cotton and cotton waste imports January till June: abt. 27,800 tons, which is a bit more than in the same period last year. Main suppliers were India, Turkey, Kazakhstan, Greece, USA. Exports for the same time about 4,200 tons.

About 395,000 tons of cotton textiles products like yarns and fabrics were imported January till June. Exports were about 165,000 tons.

Spinning mills prefer to cover their nearby needs from local stocks. Except special qualities they avoided most of all to build up positions and to buy for more than 2-4 months ahead. This was influenced also by a similar order attitude up the supply chain.

BBM – Bolsa Brasileira de Mercadorias

(No update)

BCA – Belgian Cotton Association

Regarding the update, we have this matter which we exposed last time, as the Uzbek Embassy in Brussels keeps pushing us for a meeting.

They have been pushing us to attract investors, but we clearly told them that they had to sort out first, or at least to show that they were concerned and did the necessary steps, about the issue concerning the child labour before getting investors ready to invest in their country.

It is an important issue as more and more large textile brands want to have a downstream commitment that no Uzbek cotton has been used in the fabrics. The bottom line is that this can affect sanctity of contract, as for example if you sold CIS cotton and you are in the position only to supply/ship Uzbek cotton, ultimately your buyer could get out of the contract.

BM&F – Bolsa de Mercadorias & Futuros, São Paulo

(No update)

CAI – Cotton Association of India

(No update)

CAN - Centro Algodonero Nacional

According to Junta de Andalucía the total planted area of 2013/14 crop is placed at 64,252 hectares, versus 69,713 ha in the previous season. A decline of over 8%.

The yields so far are below expectations. The final production estimates will be lower than anticipated. It is still too early to assess the final lint outturn, but it will be in a range of 45,000 / 55,000 tonnes.

Consumption's forecast for 2013/14 is not expected to change significantly in comparison with 2012/13 data, around 12,000 tonnes.

CCA – China Cotton Association

1. Close of 2012/13 Chinese Cotton Season

The 2012/13 Chinese cotton season (from 31st August, 2012 to 1st September, 2013) has closed. CCA adjusted national cotton production of 2012/13 season to 7.73 million ton, 6.2% higher than its previous corresponding time statistics. Textile industry kept stable, yarn production of 2012/13 was 31.77 million ton 1.8% up over the corresponding time last year, the increase rate of which declined by nearly 10%; export of textiles and apparels recovered to total export value of US\$275.9 billion for the season, 11.8% up over the corresponding time last year.

2. Reserve

From 1st Sep.2012 to 29th March, 2013, the seasonal reserve cotton purchase was 6.34 million ton, comprising by 2.41 million ton from inland and 3.93 million ton from Xinjiang. With certain undelivered reserve sold cotton, the national commercial cotton carryover stock was 660,000 ton by the end of this season.

3. Import

There is 4.4 million ton of foreign cotton imported for this season, 19% less over last season though still a large number, especially with much full duty import; while at the same time, yarn import increased largely to 1.94 million ton, 48% more than last season, when the chemical fibre was taken into account, domestic cotton consumption reduced to approximately 8.5 million ton.

4. Conference

On 26th September, China Cotton Association held National Cotton Situation Analysis Conference in Beijing, participants from government; industry organizations and cotton related companies discussed cotton market in 2012/13 season and overlooked the coming season. The meeting projected a reduced production, stable demand and policy dominated market in the new cotton season.

FITMI - Federazione Imprese Tessili e Moda Italiane

During last months the Italian market has not been very active and our spinners have limited their cotton buying activity only when absolutely necessary or when prices have become more attractive as a result of decline in the New York Cotton Exchange.

To note the closure of a spinning mill in the Veneto area, forming part of a textile group among the best known, also from the historical point of view. Another textile group (whose name appears in the CICC default list) has asked for bankruptcy protection but will probably start soon the final closing procedure. Another spinner has instead reached an agreement with the trader who had placed him in the default list and it has been deleted from it.

The situation has slightly improved in the last week of September and first two weeks of October and this is evidenced by a cautious return to purchases, mainly of West African cotton and Greek cotton. The Denim industry has also recovered and mills have begun to run at nearly full capacity.

GCA – Gdynia Cotton Association

In the 3rd quarter of 2013, the GCA continued cooperation with the EU institutions and the state administration in the scope of the cotton sector. The GCA officers and the representatives of the Polish cotton and textile sector took part in the 72nd ICAC Plenary in Columbia on 29 September - 6 October 2013. The significant matter to discuss was the future membership of the European Union in ICAC and its real influence on the existing good cooperation of European branch organizations with ICAC. The GCA is also a member of the Discover Natural Fibres Initiative. We are also deeply engaged in cotton promotion activities. GCA is the founder-member of the International Forum for Cotton Promotion.

Three new companies have joined our Association over this quarter - currently 74 members belong to GCA.

Cotton Classification Courses

From 16 September to 25 October 2013 the full-time, English and Russian-speaking Cotton Classification Course has been performing. The participants from India, Turkmenistan and Byelorussia are taking part in this training. The course will be completed by the formal examination session. Next course is planned in Spring 2014 - the details will be confirmed soon.

The program of full-time, 5 week course includes:

- the practical training in cotton classification with manual method (including staple length);
- instrumental methods of cotton testing - theory and practice (HVI);
- the main cotton market issues: terminology, selected problems of world cotton markets, trade, transport and handling, basic knowledge on Incoterms, trading rules and arbitration as well as the theory of cotton standardisation acc. to the Universal Cotton Standards (USDA) on which the HVI system was based, standardisation acc. to the Uzbek (and other Central Asian countries) O'z DSt 604-2001 standard.

The Gdynia Cotton Association - as an active member of the ICAC Task Force on Commercial Standardization of the Instrumental Testing of Cotton (CSITC) fully supports the idea of the global standardization of the instrumental testing of cotton. However – as it has been confirmed by the opinions of a number of our students from Asian and African countries - the skills of manual cotton evaluation cannot be overestimated in practical conditions: in the field, in ginneries, spinning mills etc. Our objective is to teach our students a full range of skills, both of instrumental and manual evaluation of raw cotton material.

Polish Textile and Clothing Branch in the Period of January - August 2013

After a very poor 1st quarter of 2013 in the Polish textile-clothing branch, when the decreases of production of individual categories of textiles and clothes were from few to 30% in the period April – August 2013, we experienced a revival of production in many categories of products. Thanks to this, it was possible to level the drops in production of many categories of products (mainly textiles).

In comparison to the same period of 2012, in the period of January – August 2013, the rise was noted in production of cotton terry cloth – by 7%, woven fabrics of cotton of the aerial density over 200 g/m² (including drill) by 13.6%, bed linen by 1%, floor coverings by 6.3% and flax yarn by 11.6%. Manufacture of fabrics made from synthetic and man-made yarns, carpets, runners, and hygienic-cosmetic products remains on the level of 2012. Great (28%) drops are noted in the case of cotton fabrics of the aerial density under 200 g/m² and cotton yarn. Within first 8 months of 2013, the clothing branch noted the decrease in production by 8% on average, and the only category where the production is greater is men's suits (+4.1%).

We estimate that imports and processing of cotton raw materials in the period of January – August 2013 was lower when compared to 2012 by ca. 10%, so their annual forecasted consumption should fall within the interval of 6.2-6.4 thousand tons.

ICA – International Cotton Association

This year's 'Liverpool 2013' annual event is taking place on 24th and 25th October at the Hilton Hotel and St George's Hall in Liverpool, UK. With 500 delegates from across the global cotton community, 'Liverpool 2013' will provide an ideal opportunity to network, do business and focus on current industry issues. A range of industry meetings and presentations will take place which focus on the current issues concerning the world cotton community.

By the middle of October this year, we have received 71 arbitration applications. This compares with 242 in 2011 and 247 in 2012. Members are actively participating in the arbitrators exams as from 1 April 2014, only arbitrators who have passed module 3 of the advance level can accept the appointment for any new arbitration.

In order to aid our efforts to enforce arbitration awards, we have set up four enforcement working groups. The purpose of them is to provide the Secretariat and Members with local information in the field of law and enforcement.

We are continuing our efforts to provide industry trainings. In August this year, an annual ICA/BCO jointly held cotton trading training course took place in Wuxi, China with 120 participants from all sectors of the cotton industry in China. Seventeen international delegates successfully completed this year's 'Managing Risk' training course, which took place

in September in Festival City, Dubai, Also in September, we delivered two of our new training courses to 66 local cotton professionals in Karachi - 'Agent Training' and 'Cotton Contracting and ICA Bylaws & Rules'. Both courses were well received and we plan to run more at other global locations during 2014.

IME – Izmir Mercantile Exchange

Turkey is one of the high-quality cotton producing countries in the world. The Aegean region, Çukurova district and Southeastern region have convenient soil structure and climate for cotton production. However, the cost of production inputs which Turkey imports and therefore mostly dependent on foreign markets such as fuel, fertilizer and chemicals continued to increase in 2012/13. As a result of low prices and increasing production costs, the number of cotton producers is decreasing rapidly. Significant number of producers quit cotton production and lean towards alternative products. If these problems continue to be unsolved, the textile industry will be negatively affected in the long term.

The production is expected to be 550 thousand tonnes in 2013/2014 season. The production of the Aegean region is forecast to be 128 thousand tonnes. It is also expected that 750-800 tonnes of cotton will be imported in order to meet our domestic consumption of 1.35 million tonnes. Despite the problems the Turkish cotton sector is facing, Turkey takes important steps regarding mostly brand-making, in order to protect and develop its position in world's cotton and textile industry.

İzmir Commodity Exchange and National Cotton Council initiated GMO FREE cotton project a few years ago. Better Cotton Association was established in order to organize the Better Cotton Initiative (BCI), in which the İzmir Commodity Exchange and National Cotton Council partake as founding members. The first cotton with BCI certification will have been produced in 8 pilot districts by 2013-2014 season. The expected production of BCI certified cotton in the first year is 13 thousand tonnes. It can be mentioned that this production volume will increase incrementally. If the Turkish cotton has the certificate of Better Cotton in addition to the GMO free certificate, it will catch an important advantage in the world market.

In Turkey, the Licensed Warehousing has been also launched in which the cotton is classified and stored according to the results of HVI analysis. The cotton is stored by the Aegean Agricultural Commodities Licensed Warehouse (ELİDAŞ) which was founded with the pioneering role of İzmir Commodity Exchange and the bond belonging to the product is put into the bank account of the owner of the product. These product bonds are electronically traded on the electronic platform of İzmir Commodity Exchange (İZBEP) (www.izbep.com). This initiative is believed to be a significant improvement for Turkish Agricultural Markets.

JCTA – Japan Cotton Traders' Association

- Raw cotton imports during 2012/13 rebounded to 67,000 tons, up 9% from the previous season.
- The largest increase was Greek cotton for coarse count yarn which rose to 10,000 tons, up 106% from a year earlier and emerged as the fourth largest supplier after U.S., Australia, and Brazil.
- One application for arbitration was received.
- One application for micronaire test was received.
- There are now 7 qualified arbitrators within JCTA.

KCA – Karachi Cotton Association

(No update)
