

Quarterly Update by Member Associations



Issue 3 – 14 May 2014

Welcome to the third 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 (Australia), AFCOT, ALCOTEXA, BBB, CCA, GCA, ICA, IME, JCTA and KCA.

ACA - Association Cotonnière Africaine

(No update)

ACSA - American Cotton Shippers Association

(No Update)

ACSA - Australian Cotton Shippers Association

At the time of writing the 2014 season harvest is in full swing. Current estimates suggest that Australia will produce 3.8 - 4.0 million bales (227 kg) of cotton this season.

Localised weather conditions in many growing regions throughout the season and/or at picking time means that we will see some lower grade cotton produced.

However, it is too early to predict the percentages at this stage. As always, water is an issue for Australian cotton production. Current water storage levels at this time are not encouraging and would see a significant drop in production to 2 – 2.5 million bales. With four months until planting there is a potential for significant rainfall which would likely result in increased plantings and a higher production number.

AFCOT - Association Française Cotonnière

- On April 15th 2014, AFCOT took part to a meeting held in Geneva at ITC (International Trade Center). Among the participants were ITC representatives, some west African cotton producers, some merchants involved in business with those origins and AFCOT.

The aim of the meeting was to gather together about the strategy to be set up within the framework of the promotion of the African Cotton.

The discussions have been extremely constructive. Among different actions which have been validated, a trip to promote African cotton to some Asian markets will take place before end of year.

- AFCOT as a member of the Overseas Signatories to the Universal Standards, took part in the meeting held on April 10th, 2014 in Memphis.

The purpose of the meeting was to view and comment on the proposed matching standards of 2014.

ALCOTEXA - Alexandria Cotton Exporters' Association

	Commitments	Shipped	Value
	Tons	Tons	\$
1st Quarter	13,405	3,839	48,006,267
2nd Quarter	9,235	9,928	36,096,137
Total	22,640	13,767	84,102,404

BBB - Bremer Baumwollbörse

In view of the firm cotton prices and non-satisfying yarn sales the domestic raw cotton processing industry intend to cover just their immediate requirements to keep the production. They are most of all reluctant to cover more than two months in advance except for special qualities. Problems in the performance of contracts are not observed.

The procedure to publish additions of the ICA to the list of unfulfilled awards with a special remark is under legal review.

Mediation prerequisites according to our law and existing regulations are being collected as discussed during the last CICC meeting.

BBM - Bolsa Brasileira de Mercadorias

(No update)

BCA - Belgian Cotton Association

(No update)

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

(No update)

CAI - Cotton Association of India

(No update)

CAN - Centro Algodonero Nacional

(No update)

CCA - China Cotton Association

On 31st March, China cotton reserve purchase of 2013/14 season was closed and reached a transaction volume of 6.31 million ton, around 90% of the actual seasonal output, including 4.04 million ton accomplished in Xinjiang warehouses and 2.27 million ton in inland warehouses.

Since then, three years cotton reserve purchase in succession have drawn down the period. For these three years, China purchased reserve cotton of almost 16 million ton, more than 70% of the actual national yield.

Domestic cotton price: during 2011 and 2013 seasons, domestic cotton price index (CC Index) has average prices of 19,113 Yuan/ton, 19,136 Yuan/ton, and 19,468 Yuan/ton. The highest point was 20,010 Yuan/ton, and the lowest was 18,156 Yuan/ton, with change range less than 2,000 Yuan, half of the international price change during the corresponding time period.

Cotton growers income: According to survey of China Cotton Association(CCA), the seed cotton average buying price from big-bale ginner during these three years are 8.28 Yuan/kilo, 8.47 Yuan/kilo, 8.56 Yuan/kilo, which contributed to cotton growers income and supported the cotton acreage especially in Xinjiang.

Cotton yarn price: Temporary cotton reserve purchase supported cotton yarn price. The average price for 32s counts cotton yarn during these three years are 25,800 Yuan/ton, 25,914 Yuan/ton and 26,034 Yuan/ton. Nearly 5 million ton of reserve cotton was released by state reserve to meet the mills demand.

However when looking backward, reserve purchase implemented for three years in a row disturbed the market dynamic, enlarged cotton price home and abroad, burdened central finance and went against the emergent and temporary nature of the reserve policy.

In order to develop China cotton industry in a sustainable way, the State Council document No.1 in 2014 declared, the cotton target price trial will be practised in Xinjiang. On 5th April, the target price of 19,800 Yuan/ton in 2014 was approved by the State Council and announced by National Development and Reform Commission, Ministry of Finance and Ministry of Agriculture jointly. The cotton target price trial aims to decouple the product price forming from government subsidy, thus to empower the market.

The target price is regarded as a satisfactory price for Xinjiang growers, while inland growers faced challenge with no supportive policy so far. According to survey conducted in the middle of April by CCA, national cotton planting acreage estimated to be 4.08 million hectare, 12.6% down than the corresponding time estimate last year.

The relatively high temperature since Spring this year speed up the cotton sowing process. By 15th April, CCA survey showed 55.4% of planned acreage had been sowed nationally, 10% faster than last year, with 92% in Xinjiang, 74% in Yangtze region and 25.3% in Yellow River region. Recent cold air movement in Xinjiang caused crop failure there and replanting is required.

FITMI - Federazione Imprese Tessili e Moda Italiane

(No update)

GCA - Gdynia Cotton Association

In the 1st quarter of 2014, the GCA continued cooperation with companies of the cotton sector as well as with the Polish and EU administration, concerning matters essential for the branch and the textile industry.

Professional, training activity was continued as well. A good example of a training tailored to the order, matching the specified needs, was the training organised for the Polish Security Printing Works. A group of technologists and laboratory operators had the training encompassing cotton markets and raw material.

Output results of the Polish textile-clothing branch in the 1st quarter of 2014 may be regarded as optimistic. In several categories of products, there were long-awaited, considerable increases of production.

Among the most important categories of textiles, in the 1st quarter of 2014, the increase of production – when compared to the same period of 2013 – was noted in the case of the majority of the categories. The greatest increase was noted by manufacturers of flax yarn (+28%), fabrics with terry coating (+25%), fabrics made from synthetic fibres, and carpets (+21%). Unfortunately, once again the drop of production was noted in two categories of cotton textiles: yarn and fabrics.

Increase of production took also place in the case clothing. The greatest increase was noted by the manufacturers of women's over-coats and jackets (+21%) and men's jackets (+11%). After a year of slight decrease, in the 1st quarter, the production of hosiery and knitted products increased (+9%).

According to the GCA estimates, in the 1st quarter of 2014, ca. 1.5 thousand tonnes of raw cotton materials were processed – those which are used for yarn, non-wovens and hygienic-cosmetic products based on cotton fibre.

ICA - International Cotton Association

At its last Board meeting, the ICA Board of Directors gave their approval for further work to be done to develop a formal ICA mediation procedure. It is envisaged that any requests for mediation will be carried out by one of a few high profile persons from the cotton trade who will be trained and qualified to international accredited standards working in cooperation with local cotton associations. Preliminary soundings have revealed that there is certainly a desire for such a process, especially post arbitration when firms have been on the default list for some time. Work is currently underway to develop the processes and to identify suitable mediators with the aim of producing some proposals to the ICA Board of Directors at the end of July.

Dubai 2014, the ICA's next major trade event, will be held at the magnificent Dubai International Convention & Exhibition Centre and the Sky Bubble, Meydan on 2 & 3 October. The event will provide an ideal opportunity to do business and focus on current industry issues. With the theme of 'shaping the future', emphasis will be on a shared vision for the future of the cotton community, where each part of the supply chain plays a role. With over 1,000 delegates from the global cotton community expected to attend, the event is open to anyone with an interest in the cotton trade. To register, sponsor or find out more, please visit www.ica-ltd.org.

Building on the successes of the past three training courses, the 4th ICA and BCO (Beijing Cotton Outlook) jointly hosted China International Cotton Trade Training Event will take place on 19-21 August 2014, in Nanjing – a city central to textiles in the eastern part of China. The course covers key areas of the trade pertinent to China's cotton import in contracting, L/C opening, risk management, quality testing and arbitration, supported by practical examples and problems encountered by both the sellers and the buyers. It is expected that over 100 delegates will participate who will enjoy an interactive atmosphere throughout the three day session.

IME - Izmir Mercantile Exchange

In connection with the rise in Turkey's foreign exchange, domestic cotton prices came near to import cotton prices. Since there is a rise in demand for domestic cotton, it has led to a revival in the cotton market. And cotton prices have increased by 8-10%. Yarn and textile market has also revived because of this recovery on market and our Exchange.

Exchange recordings and harvest estimates is showing that there are about 20-25 thousand tons in Aegean Region and in East and South East Region there are nearly 50-60 thousand tons of cotton is estimated to remain. In consider, there

are 5 months to the end of 2013/14 season, especially in case of the continuation of mill demand, domestic cotton supply shortage can be expected.

Trade of BCI certificated production has started in our Exchange. In this season, The amount of BCI cotton sales will reach nearly 15 thousand tons. Supply estimates and projections show that five years later, the amount of BCI certificated production which are produced in Aegean Region, Urfa and Antakya will reach to 60 thousand tons.

Because of unsuitable soil and weather conditions, in season of 2014/2015, planting has not started in Aegean Region yet. But almost 80% of cotton planting has completed in Eastern and Southeastern Anatolia Region. It is estimated that cotton production area will increase by 25-30% in 2014/15 in Turkey.

JCTA - Japan Cotton Traders' Association

Cotton imports during the first quarter of 2014

Cotton imports into Japan during the first quarter of 2014 decreased from a year earlier. During January-March 2014, cotton imports fell to 15,000 tons, 13% down the amount imported during the same period in 2013. This decrease was attributed mainly to lower consumption due to weak domestic demand.

The four leading suppliers to the Japanese market - U.S., Australia, Brazil and Greece - continues to account for over 90% of total imports. During January - March 2014, these countries accounted for nearly 90% of the total, slightly below that of a year earlier. U.S. continues to account for the largest share (37%), similar to the same period in 2013.

Cotton imports for calendar year 2013

Cotton imports into Japan for calendar year 2013 rebounded to 67,400 tons, up 14% from the previous year's 59,000 tons, which level was the lowest for 120 years except during the war. Hopefully this is a sign of bottoming out the long-lasting downward trend. The reasons behind the increase in imports were the conservative buying in 2012 and round of stock adjustment at high prices.

While U.S. remains the top supplier of cotton imports, the largest year-on-year Increase involved Greek cotton, which is used for coarse count yarn production, rising to 10,700 tons, up 37% from a year earlier. This increase was attributed mainly to improvement of Greek quality and the competitive price with Brazilian cotton. The second largest increase concerned U.S. cotton for spinning medium count yarns, which rose to 27,800 tons, up 33% from last year. Other suppliers included Australia, which increased to 13,600 tons, up 3.6% from a year ago. In contrast, Brazilian cotton fell to 22,700 tons, the smallest since 2002, down 11% from a year earlier.

As a result, the top 4 countries accounted for 93% of the total, compared with 91% for calendar year 2012.

Cotton Arbitration and Testing

- 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

By Khawaja M. Zubair,
Chairman, The Karachi Cotton Association

Cotton is the most important produce of the country and its contribution in the national economy is outstanding. It is also a major foreign exchange earner for the country. Pakistan cotton is recognized in the world over as finest cottons for spinning of coarse and medium count yarns. These have excellent strength, desirable micronaire, good uniformity ratio and compare favourably with cottons in the comparable staple range.

Pakistan's trade liberalization reforms have received accolades from international businesses as well as multilateral financial institutions. An international study reveals that Pakistan's reforms have been substantial. Its trade regime is now one of the more open in South Asia. It has the lowest applied average tariff rates of the three large South Asian economies India, Pakistan and Bangladesh. Pakistan reached this position by reducing the number of tariff and eliminated quantitative restrictions, regulatory duties and other para tariffs and several other measures that restricted trade in the past.

Textile still remains the mainstay of our exports. However, focused efforts by the Ministry of Commerce for diversification of our export basket and markets have yielded positive results and the share of non-textile sector has risen significantly in recent years. Similarly, we have also been successful to a reasonable degree in diversification of our export markets with gradually increasing quantum of our exports now going to markets in Asia and Africa. Importantly Afghanistan has emerged as a major trading partner and has become our third largest export market.

The Government has been following the policy of free trading in cotton i.e. free export and import of cotton without any duty and quantitative or qualitative restrictions for the past several years. This policy has been designed to safeguard the interests of all segments of the cotton trade. The KCA has also emphasized upon the Government to continue with the same policy without any change or modification in the coming years to safeguard the interests of all segments of the cotton trade.

Pakistan is the 4th largest cotton producer and the 3rd largest cotton consuming country in the world. China, India and Pakistan produce 63 percent of world crop and consume about 65 percent. We are experiencing and expect further expansion in spinning sector at least in India and Pakistan. A very large percentage of the global cotton economy is concentrated in these three countries.

In conclusion let me say that despite all the challenges we face as a nation, we are willing and prepared, at all times, to transform challenges into opportunities. We will work hard to enhance our trade performance thus laying a solid foundation for sustainable economic growth for a prosperous Pakistan.
