



# INTERNATIONAL COTTON ADVISORY COMMITTEE

Standing Committee  
Washington, DC

SC-M-413  
September 25, 1995

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## MINUTES

413th Meeting of the Standing Committee  
Monday, September 25, 1995  
Room H1-200, World Bank, 600 19th Street NW  
Washington, DC

PRESENT:

- Mr. Fumio Yawata (in the Chair)
- Ms. Andrea Preiss, Australia
- Mr. Franklin Bustillos, Bolivia
- Mr. Aluisio Lima-Campos, Brazil
- Mr. Alaa Eldin Shalaby, Egypt
- Mr. Pekka Voutilainen, Finland
- Mr. Pascal Maccioni, France
- Mr. Bert Brueckner, Germany
- Ms. Maria Claudia Marini, Italy
- Ms. Cristina Martinez, Paraguay
- Mr. Victoriano B. Leviste, Philippines
- Ms. Mariana Purnell, South Africa
- Mr. Hasim Ogut, Turkey
- Mr. Richard Kabonero, Uganda
- Ms. Patricia Phillips, UK
- Mr. Kenneth Howland, USA
- Ms. Lana Bennett, USA
- Mr. Eldwin De Santis, USA
- Mr. Bakhram Salakhitdinov, Uzbekistan
- Mr. Nariman T. Mannapbekov, Uzbekistan
- Mr. Edwin Mubataripi, Zimbabwe
- Dr. Lawrence H. Shaw, Executive Director
- Dr. Terry P. Townsend, Statistician
- Mr. Federico Arriola, Administrative Officer
- Mr. Carlos Valderrama, Economist
- Ms. Rosa-Marina Soper, Secretariat

Before beginning the Meeting, the CHAIR welcome Mr. Salakhitdinov of Uzbekistan, Mr. Shalaby of Egypt and Ms. Preiss of Australia, who were attending a meeting of the Standing Committee for the first time.

### **1. Adoption of the Agenda**

The Agenda was adopted as presented.

### **2. World Cotton Situation**

Dr. Townsend presented Attachment I to SC-N-413, which was distributed at the Meeting.

Dr. Townsend noted that cotton prices remained significantly above average, commenting that two years ago the Cotlook A Index was below 60 cents, while it averaged 94 cents in 1994/95. He said the Secretariat's price model suggested an average of 86 cents for 1995/96 and 79 cents for 1996/97.

Dr. Townsend also reviewed the Extra-Fine Cotton Situation. He noted that stocks of extra-fine cotton were very tight, especially in Egypt and the USA. As a result, he said price premiums for extra-fine cotton were expected to be higher this season.

The CHAIR asked delegates for statements on the cotton situation in their countries. There were none.

### **3. Comparison of Cash Basis and Accrual Basis Reports of Financial Condition**

The CHAIR reviewed Attachment II to SC-N-413, which had been distributed earlier. He asked the Executive Director for any additional comments. The Executive Director reviewed the differences between the two reports in the handling of the payment of assessments.

The delegate of the USA inquired about the basis for the cost estimates made by the Secretariat. The Executive Director said the audit of the accrual report was likely to be more expensive as additional reports would be reviewed. He said the manhour costs listed in Attachment II reflected the time spent at the Secretariat on the preparation of these accounting reports that was not available for other purposes.

The delegate of the USA said the US Government agreed with the report of the auditor that the accrual basis is the preferred form of reporting. He asked Mr. De Santis, representing the US State Department, to comment on Attachment II. Mr. De Santis made a statement in which he supported the use of accrual accounting, saying that it would make the auditor's job easier, would facilitate planning for capital expenditures and was consistent with the Rules and Regulations of ICAC. At the request of the CHAIR, the US delegate summarized his views by saying that it was the US position that the Standing Committee direct the Executive Director to change the basis of accounting of the Committee to an accrual basis.

The representative of AUSTRALIA presented a statement indicating recognition of the value of accrual based reports but unwillingness to change attention at this time from the cash balance reporting in current statements, which provided an important monitoring tool for the financial condition of the Committee. She said AUSTRALIA supported the continuation of reports on a parallel basis.

The delegate of BRAZIL associated his government with AUSTRALIA's position.

Clarifications were requested by the delegate of the UNITED KINGDOM regarding the location of cash balances on the accrual balance sheet, by the delegate of UGANDA regarding the continued position of the Secretariat that a change in the Rules to implement accrual based record keeping was necessary and by the delegate of the PHILIPPINES regarding the usefulness of cash and accrual reports in the event the Committee shut down.

The CHAIR ruled that there was no consensus for a change in the basis of accounting at this time. He

proposed and found agreement for continuation of parallel reporting on a cash and accrual basis.

#### **4. Actions to be Taken with Regard to Members in Arrears**

The CHAIR referred to Attachment III to SC-N-413, which informed the Standing Committee that, as a result of its decision to apply the Rules and Regulations strictly, the provision of documents and other services to Guatemala, Iran, Nicaragua, and Sénégal would be discontinued on September 27, 1995. The Executive Director commented that all four members had been active in the affairs of the Committee in the last five years.

The delegate of USA said the topic of discussion emphasized the need for better accounting of uncollected assessments, as he considered these assets questionable. The Executive Director noted that uncollected assessments were not considered assets on a cash basis. The delegates of BRAZIL and PHILIPPINES agreed with the position of the USA. The US delegate proposed that a special category for assessments of members which are more than two years in arrears or have withdrawn or been suspended be created. The Executive Director said that such categories could be added to the parallel accrual reports which will be produced by the Secretariat.

The delegate of GERMANY asked for clarification of the Rules regarding suspension. The Executive Director said that, if payment is not received, the membership of the four countries would be suspended on March 27, 1996, unless the Standing Committee decides otherwise. He said the matter will be again brought to the attention of the Standing Committee before action is taken.

#### **5. Plans for the 54th Plenary Meeting**

The CHAIR referred to Attachment IV to SC-N-413, which had been distributed in advance of the Meeting. The Executive Director said the Secretariat, the Philippine Government, the Philippine Cotton Corporation and other members of the Organizing Committee had worked over the last year to organize a productive meeting for the week of October 22. He said he looked forward to seeing as many delegates from the Standing Committee as possible in Manila.

#### **6. Selection of Auditor for 1994/95**

The CHAIR noted that delegates had asked at the 412th Meeting for copies of the proposals submitted by various auditing firms and for more time to consider them. He asked delegates for their views.

The delegate of the USA recommended that McQuade and Drolet be hired to conduct the audit for 1994/95. He said their proposal was only somewhat more costly and he thought they had done a competent job in 1993/94, coming up with reasonable recommendations in the Performance Audit which they had conducted.

The delegate of the USA also proposed that McQuade and Drolet be asked to provide advice regarding detailed accounts in the parallel accrual based accounts which the Secretariat would be preparing. The Executive Director pointed out that this advice would be at additional cost to the Committee. The US delegate further asked that McQuade and Drolet be asked to submit a cost estimate regarding a randomly selected detailed audit of some aspect of the Committee's accounts.

There were no other views expressed.

The CHAIR found a consensus to appoint McQuade and Drolet to conduct the audit of the Committee's financial records and those of the Staff Retirement Plan for 1994/95. He further asked the Secretariat to obtain the necessary cost estimates for consideration of the Standing Committee.

#### **7. Other Business**

The report of uncollected assessments as of September 25, 1995 (Attachment V to SC-N-413) and the Report of the Executive Director (Attachment VI to SC-N-413), both of which had been distributed earlier, were presented.

In an addition, the Executive Director noted that Committee Documents were now available on the Internet at <http://www.icac.org>. Delegates were asked to provide the Secretariat with their email addresses so that passwords to gain access to the documents could be provided.

In another matter, the CHAIR noted that the Gdynia Cotton Association, in recognition of the cooperation between the association and the ICAC had named the Executive Director a Meritorious Person of the GCA. As the acceptance of such an award could only take place with the authorization of the Standing Committee, he proposed that Dr. Shaw be authorized to accept the recognition of the Gdynia Cotton Association. There was no objection, and he was so authorized.

There being no further business, the CHAIR adjourned the Meeting at 11:25 am.



# INTERNATIONAL COTTON ADVISORY COMMITTEE

Standing Committee  
Washington, DC

Attachment I to SC-N-413  
September 25, 1995

## Cotton Prices to Remain Above Average

The Cotlook A Index, an indicator of world cotton prices, averaged 94 cents per pound in 1994/95, one of the highest price levels for a season in nominal terms ever, and the Index averaged 86 cents per pound during the first six weeks of the current season, still very high compared to the long run average of 73 cents. Cotton prices are relatively high because strong world economic growth and investment in spinning technology are pushing demand for cotton higher while problems with disease, pests and difficulties supplying inputs are preventing a bigger increase in world production. Another major factor contributing to the strength of prices is that the Government of China (Mainland) has isolated an estimated one-fifth of world cotton stocks in a strategic reserve. Cotton in the strategic reserve is not available to the spinning industry in China (Mainland) unless released by the government.

During 1995/96 and 1996/97, world cotton production is expected to rise because of increases in harvested area in response to attractive prices; world production may exceed consumption by a modest amount during 1995/96 and by a larger amount in 1996/97. World consumption is also rising, despite weakness in Europe and some countries of East Asia. However, because of tight supplies and high prices, cotton is losing market share. Nevertheless, growth in cotton use continues, especially in the USA, India, Indonesia, Pakistan, Brazil, Mexico and Turkey, causing the world total to rise. With production exceeding consumption, world cotton stocks are expected to increase this season and next. Declines in the volume of world trade in cotton may occur during the current season and 1996/97 primarily because of reduced imports by China (Mainland), Turkey, Pakistan, India, Brazil and Mexico and because of reduced consumption in Japan and Hong Kong.

World cotton stocks outside China (Mainland) are expected to remain tighter than average through 1996/97, and the use of barter by Central Asian exporters is expected to decline. Consequently above-average cotton prices are probable in 1995/96 and 1996/97, although the record prices seen in 1994/95 may not be repeated because of increased world production and lower imports by China (Mainland). Based on current estimates of world cotton supply and use, a statistical model indicates that season averages of the Cotlook A Index will be 86 cents per pound in 1995/96 and 79 cents in 1996/97.

### China (Mainland) Imports Influence Prices

Since 1987/88, when forecasts of prices by the Secretariat were first published, forecasts in September for the same season have been too low three times and too high four times; on average, September price estimates for the same season have been too high by 5%, with a range from 27% too high in 1991/92 to 18% too low in 1994/95. For the six seasons beginning in 1989/90 for which forecasts have been published for one season ahead, forecasts made in September have been too low three times and too high three times; the average estimate has been too high by 4%, with a range from 35% too high in 1991/92 to 26% too low in 1994/95. The largest price forecast errors were caused by a failure to understand the impacts of barter sales from Central Asia while they were occurring during 1991/92 and 1992/93 and low estimates of imports by China (Mainland) in 1994/95.

The biggest source of uncertainty regarding current forecasts of prices is whether the Government of China (Mainland) will maintain a large strategic reserve of cotton or whether textile mills will be allowed

to draw from the reserve in order to reduce imports. Stocks in China (Mainland) at the beginning of this season are estimated at 3 million tons, and current estimates of supply and use indicate that imports of 600,000 tons will be needed to maintain that level. Trade by China (Mainland) is an important variable used in the estimation of cotton prices; if production in China (Mainland) is higher or consumption lower than currently estimated, or if a reduction in stocks is allowed, prices will be affected. A decline of 100,000 tons in net-imports by China (Mainland) is associated with a reduction in the season average Cotlook A Index of two cents per pound.

Another major source of concern regarding the current outlook for prices is the prospect for production. In particular, there is concern as of late September that the US cotton harvest could be several hundred thousand tons less than estimated at the start of the month. Each decline of 100,000 tons in world production adds approximately one cent per pound to estimates of the season average Cotlook A Index.

### Extra-Fine Cotton Supplies Remain Tight

World ending stocks of extra-fine cotton in the producing countries are expected to remain near 100,000 tons at the end of 1995/96. Ending stocks of extra-fine cotton were greater than 200,000 tons in 1993/94 but fell last season and will remain tight during the current season. Extra-fine is the highest quality of six categories of world cotton production.

World production of extra-fine cotton is estimated at 610,000 tons, 25,000 tons greater than in 1994/95. Increases in production are expected in almost all countries in response to higher prices last season. However, a substantial reduction in extra-fine cotton production may occur in India as a result of poor weather in the southern states earlier this year. India was the sixth largest importer of extra-fine cotton in 1994/95 and will remain a larger importer this season. Consumption in the producing countries is being squeezed lower by a shortage of supplies, and exports are expected to remain near 240,000 tons, the same as in 1994/95.

Stocks of extra-fine cotton in the USA fell from 50,000 tons at the end of 1993/94 to 7,000 tons at the end of last season, and US exports will decline in 1995/96 as a result. Exports from Egypt are estimated at 60,000 tons, compared with 67,000 tons in 1994/95; stocks in Egypt fell from 90,000 tons to 40,000 tons during 1994/95, and exports this season are dependent on the size of this year's harvest. Exports of extra-fine cotton from Central Asia are expected to grow by about 20,000 tons to more than 50,000 tons because of increased production. Higher production and exports are expected from Sudan also.

The quote in Cotton Outlook for American Pima, an indicator of prices in the extra-fine category averaged \$1.30 per pound in 1994/95 but is currently 20% higher reflecting the expected tightness in supplies. However, not all prices in the extra-fine category will necessarily rise as much as the quote for American Pima during 1995/96. The USA is experiencing a particularly severe shortage; the US extra-fine cotton stocks-to-use ratio is half the world average ratio of extra-fine cotton stocks to use.

### World Consumption Increasing

World cotton use reached 18.5 million tons in 1988/89 and was still just 18.5 million tons in 1994/95, seven seasons later. However, world economic growth of 4% in 1995 and 1996 and an arrest in the downward slide in mill use in the former USSR are expected to lead to higher levels of cotton use. World consumption is estimated at 19 million tons in 1995/96 and 19.5 million in 1996/97.

Consumption in China (Mainland) is expected to rise during each of the next two seasons, but even in 1996/97 cotton use in the world's largest consuming country will probably be no greater than in 1986/87. Since 1986/87, consumption in China (Mainland) has ranged between 4.15 and 4.6 million tons. Because of the accumulation of stocks of cotton by the government during 1994/95, greater supplies will probably be made available to textile mills in China (Mainland) during the current season and in 1996/97, even if cotton production declines. Therefore, a rise in consumption toward the upper half of the range recorded during the last nine seasons may be allowed.

Cotton use in the USA has risen during nine of the last ten seasons, and growth of 7% occurred in 1994/95. Growth in mill use in the USA is estimated at 3% in 1995/96 and 4% in 1996/97, when cotton supplies are expected to be greater. Even though cotton supplies remained relatively tight in Pakistan during 1994/95, textile production increased because of continued investment in new technology and increased capacity. Prices for NIAB-78 averaged 18% lower than the Cotlook A Index during 1994/95, and cotton use by APTMA mills through June 1995 was 4% greater than during the same months of 1993/94. As of mid-September, cotton prices in Pakistan were 9% below the Cotlook B Index. With a recovery in cotton production expected in Pakistan in 1995/96, supplies will be available for continued increases in use.

Cotton consumption in the organized sector in India rose by 60,000 tons, or 3%, during 1994/95. The small-mill sector is also expanding in India, and total consumption may be rising by 4%. Strong growth in textile exports and strong economic growth, leading to increased domestic demand, are encouraging increased fiber use in India. Consumption in Turkey rose by 100,000 tons during 1994/95, and additional growth is expected during 1995/96 and 1996/97. Turkey is expected to join the EU customs union in January 1996 and will have greater access to European textile markets. Economic policies are enhancing the competitiveness of Turkish exports by reducing the value of the lira, and cotton production in Turkey is rising, providing a supply for domestic spinners.

Growth in cotton consumption in Brazil slowed from 8% in 1992/93 and 5% in 1993/94 to 3% in 1994/95 because of austerity measures taken to reduce inflation. However, the Brazilian economy continues to grow, and rising cotton production in the Mercosur trading region will provide an excess of cotton at current levels of consumption. Growth in mill use of 4% is expected in 1995/96.

Consumption in Eastern Europe, Russia and other countries formerly in COMECON fell more than 100,000 tons in 1994/95, but increases in use may begin in 1995/96. Cotton use in Eastern Europe has been steady for three years and some countries seem to be growing more rapidly now. Cotton use in Russia has fallen so far that there is little competition between domestic textile companies, and some mills are starting to expand production. At current levels of textile production, ample supplies of cotton are available from Central Asia within the Commonwealth of Independent States.

Consumption in Japan, the Republic of Korea, China (Taiwan), Hong Kong and Singapore fell by 50,000 tons in 1994/95 and additional declines are likely. However, the rate of decline in cotton use may slow as surviving mills find profitable lines of production. Consumption in the EU rose by 10,000 tons in 1994/95, and the same level of consumption is assumed for the next two seasons. Consumption in Indonesia, Thailand, Malaysia, the Philippines and Vietnam rose by 50,000 tons in 1994/95, and a similar rate of increase is expected in 1995/96.

### World Cotton Production Responding to Higher Prices

Averages of the Cotlook A Index rose from 58 cents per pound in 1992/93 to 71 cents in 1993/94 and to more than 90 cents per pound last season. World cotton area is rising in response, and gains of 8% in 1995/96 and 5% in 1996/97 are anticipated, following a gain of 5% in 1994/95. Production is forecast at record highs in the USA, Turkey and Francophone Africa both 1995/96 and 1996/97, and

the world total is expected to climb to more than 20 million tons by 1996/97. However, growth in world production is being constrained by specific problems of pesticide resistance in China (Mainland), Pakistan and India, the leaf curl virus in Pakistan and India and sub-optimal supplies of inputs in Central Asia. Consequently, world cotton stocks are being rebuilt more slowly than might otherwise be the case.

Cotton production in the USA is estimated at a record 4.4 million tons in 1995/96, 120,000 tons greater than in 1994/95 but lower than had been anticipated earlier in the season. The acreage reduction requirement for US cotton in 1996 may remain at zero, the same as in 1995, because 1995/96 ending stocks in the USA are likely to remain below the government target of 29% of use. Given the expectation that prices in 1995/96 will remain well above the long run average, a further expansion in US cotton area is likely in 1996/97, and production is forecast at 4.8 million tons.

Production in China (Mainland) is expected to be less than consumption in 1995/96 and 1996/97. Production in 1995/96 is expected to be less than in 1994/95 because of declines in area and yields. Production is estimated at 3.85 million tons in 1995/96; production may rise to more than 4 million tons by 1996/97 as additional irrigated area is devoted to cotton in Xinjiang Autonomous Region in the West and as growers in eastern China acquire more experience dealing with pest problems.

The 1995 monsoon was approximately one month late in arriving, delaying planting in Central India, and weather in North India was wetter and cooler than normal in August and early September. Consequently, lower yields are expected in India in 1995/96 and production is estimated at 2.2 million tons. Expanded area in response to increased prices may lead to increased production in 1996/97.

Estimates of 1995/96 production in Pakistan have risen from 1.4 million tons at the start of the season to 1.9 million tons at present because of reports of good crop progress on expanded area. Cotton production in Pakistan continues to be hampered by the leaf curl virus, but wet conditions in 1994 and 1995 have reduced the severity of the disease.

Production in Uzbekistan is estimated at 1.25 million tons in 1995/96, about the same as in 1994/95. 1995/96 planted area in Uzbekistan fell 2%, but yields are expected to be as high as in 1994/95.

Because of high domestic prices and the opening of new irrigated land in the East, cotton area in Turkey rose 20% in 1995/96, and cotton production is expected to climb to nearly 800,000 tons. Continued expansion in area may push production in Turkey even higher in 1996/97.



# INTERNATIONAL COTTON ADVISORY COMMITTEE

Standing Committee  
Washington, DC

Attachment II to SC-N-413  
September 25, 1995

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## Cash and Accrual Based Reports of Financial Condition

McQuade and Drolet recommended in their Performance Audit of the Committee conducted in 1994 converting to an accrual basis of accounting. At the 409th Meeting, it was agreed that the Secretariat would prepare financial statements on a cash and accrual basis in parallel and would provide estimates of the cost of doing so.

Two reports are attached to present the financial condition of the Committee as of June 30, 1995. The first report is the regular Quarterly Statement on a cash basis showing the actual cash balance at the beginning of the fiscal year 1994/95, the actual cash receipts for payments of assessments and other income, actual spending and the ending actual cash balance on June 30, 1995. The statement is both a statement of income and expenses and a balance sheet. The only items in the balance sheet are the beginning balance, the excess of receipts over disbursements and the ending balance.

The second report is a Quarterly Statement on an accrual basis. This statement is based on a statement of income and expenses on an accrual basis and a balance sheet which includes a number of accounting entries.

### Differences between the two statements:

1. On a cash basis, only assessment payments received are included in income. On an accrual basis, the entire assessment for the fiscal year is taken into income on July 1. A receivable on the balance sheet is added to reflect assessments made but not collected.
2. On a cash basis, total publication sales are included in income. On an accrual basis, only the portion of sales delivered during the fiscal year are included in income. A deferred liability for publications which are to be received next year is recognized on the balance sheet.
3. A property account is added to the balance sheet to reflect the value of furniture and equipment (largely computers) owned by the Committee. Computer equipment is depreciated over three years, reflecting its useful life in the experience of the Committee. Capital expenditures are not included in the statement of income and expenses; depreciation expenses are included. Other assets of the Committee (furniture) are fully depreciated.
4. A liability account is created for assessments received in advance on the accrual statement. These payments are not reflected in income.

### Usefulness of the two statements:

The cash basis statement reflects the actual cash flows of the Committee and is a basis for the day to day financial management of the Committee. Calculation of this statement on a monthly basis during the year is necessary to insure that expenditures do not exceed resources. It also provides a ready comparison between actual expenditures and budgeted expenditures (both for current services and capital equipment) as they are currently approved.

The accrual statement views the operations of the Committee as an annual event. It assumes that expenses during a fiscal year are financed from the assessments for the fiscal year. In practice, they never are as governments do not pay 100% of their assessments in each fiscal year and expenses are financed out of assessments for the year plus reductions in receivables (payments of assessments for past years) and increases in deferrals (payments for future years). Thus the accrual statement shows an excess of

disbursements over receipts and will always do so, unless the assessment is increased for any level of expenditures over what is currently required to meet cash requirements.

On an accrual basis, capital expenditures (furniture and equipment in the case of the Committee) would be off-budget items, financed through separate assessments or from working funds.

Accrual fund balances do not reflect actual cash on hand as they include the value of property not depreciated and assessments made but not collected. While additional reports can be made to reconcile changes in actual cash balances, they are of limited use in managing the affairs of the Committee.

The Secretariat will never be in a position to make “an allowance for uncollected assessments” as it must assume that each assessment is a solemn obligation of the government involved, under the terms of that government’s accession to membership. If the fund balances are to reflect actual resources, the Standing Committee will have to decide each year which debts are “uncollectible,” that is, to make a judgment on the financial responsibility of individual member governments.

#### **Relevant Rules and Regulations:**

Article VIII-Fiscal Procedures, Section 3 - Accounts, “a. Expenditures shall be debited to the accounts of the fiscal year in which payments are actually made. b. Receipts shall be credited to the accounts of the fiscal year in which funds are actually received. C. The Secretariat shall prepare and submit to the Standing Committee quarterly statements of the current financial position of ICAC as of September 30, December 31, March 31 and June 30.”

#### **Possible Actions by the Standing Committee:**

The Standing Committee can adopt the recommendation of the Auditors that the financial accounts of the Committee be calculated on an accrual basis. This change would require an amendment to the Rules and Regulations. The Secretariat has spent 124 manhours at a cost of \$6,169 in preparing the accrual accounts. It is estimated that an additional 16 hours a month would be required to prepare accrual statements on a regular basis, at an annual cost of \$9,250. In addition, the cost of the annual audit will probably increase by at least \$2,500 as the audit will increase in complexity and the number of statements to be audited will increase from 2 to 3 or 4.

The Standing Committee can ask the Secretariat to continue to prepare quarterly or annual statements on an accrual basis for information, in order to evaluate the usefulness of accrual statements over a longer period of time.

In the absence of any action or a change in the Rules and Regulations, the Secretariat will continue to submit quarterly statements of the current financial position of ICAC on a cash basis.

## QUARTERLY STATEMENT

Beginning Balance, Receipts and Disbursements as of June 30, 1995

### INTERNATIONAL COTTON ADVISORY COMMITTEE

	July 1994-June 1995	Budget 1994/95
Beginning Balance	\$515,079	
Receipts:		
Assessments:		
Current year	805,899	1,009,500
Prior year	296,180	
Year in Advance	255,100	
Other Income	120,368	160,500
Total Receipts	1,477,547	1,170,000
Disbursements:		
Economics & Statistics	507,093	502,200
Technical Information	180,203	184,200
Forum	481,057	483,600
Total Disbursements	1,168,353	1,170,000
Excess of Receipts over Disbursements	309,194	
Ending Balance	824,273	
Working Fund	279,898	
Reserve Fund	544,375	

# QUARTERLY STATEMENT

Accrual Basis

## INTERNATIONAL COTTON ADVISORY COMMITTEE

	July 1994-June 1995	Budget 1994/95
Beginning Balance	\$1,509,695	
Receipts:		
Assessments:		
Current year	1,047,700	1,009,500
Prior year		
Year in Advance		
Other Income	88,366	160,500
Total Receipts	1,136,066	1,170,000
Disbursements:		
Economics & Statistics	492,001	502,200
Technical Information	174,166	184,200
Forum	472,001	483,600
Total Disbursements	1,138,168	1,170,000
Excess of Receipts over Disbursements	(2,102)	
Ending Balance	1,507,593	
Working Fund	963,218	
Reserve Fund	544,375	

## BALANCE SHEET

June 30, 1995

### INTERNATIONAL COTTON ADVISORY COMMITTEE

#### ASSETS

##### CURRENT ASSETS

Cash in Bank	\$126,574
Cash in Portfolio	697,702
Assessments Receivables	928,718

TOTAL CURRENT ASSETS	\$1,752,994
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##### PROPERTY AND EQUIPMENT

Property and Equipment	56,965
Accumulated Depreciation	(15,263)

NET PROPERTY AND EQUIPMENT	41,702
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TOTAL ASSETS	1,794,696
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#### LIABILITIES AND FUND BALANCES

##### LIABILITIES

Deferred Assessments	255,100
Deferred Publications	32,002

TOTAL LIABILITIES	287,102
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#### FUND BALANCES

Retained Earnings	965,321
Reserve Fund	544,375
EXCESS RECEIPTS OVER DISBURSEMENTS	(2,102)

TOTAL FUND BALANCES	1,507,594
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TOTAL LIABILITIES AND FUND BALANCES	1,794,696
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## CASH FLOW FROM OPERATING ACTIVITY

For Fiscal Year Ended June 30, 1995

### INTERNATIONAL COTTON ADVISORY COMMITTEE

<b>Operating Activities</b>	
(Deficiency) excess of revenues over expenses	\$ (2,102)
<b>Adjustments to reconcile (deficiency) excess of revenue over expenses to net cash provided by operating activities</b>	
Depreciation and amortization	2,127
<b>Decrease (increase) in assets</b>	
Accounts receivable	54,380
<b>Increase (decrease) in liabilities</b>	
Deferred assessments	255,100
Deferred publications	32,002
<b>Cash provided by operating activities</b>	<b>341,507</b>
<b>Investing activities</b>	
Acquisition of furniture and equipment	(32,312)
Net increase in cash	309,195
<b>Cash, at beginning of year</b>	<b>515,082</b>
<b>Cash, at end of year</b>	<b>824,277</b>



# INTERNATIONAL COTTON ADVISORY COMMITTEE

Standing Committee  
Washington, DC

Attachment III to SC-N-413  
September 25, 1995

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## Actions to be Taken with Regard to Members in Arrears

On March 27, 1995, the following countries were notified that they were in arrears for the payment of assessments to the Committee for more than 12 months and that, unless payment is received within six months, the provision of documents and other services will be discontinued thereafter. They were further notified that if payment is still not received after a further six months, all rights as members shall be suspended until such time as their assessments are paid in full: Brazil, Colombia, Guatemala, Iran, Nicaragua, Sénégal, Tanzania and Uganda.

Payment has been received from Brazil, Colombia, Tanzania and Uganda. Tanzania has paid its arrears in full. Steps have been taken to settle the full amount of the arrears in Brazil, Colombia and Uganda. No payment or communication has been received from Guatemala, Iran, Nicaragua and Sénégal.

### Relevant Rules and Regulations:

Article II - Membership, Section 4 - Financial Obligations of Members, f. "If the assessment of a member government is in arrears for twelve months, except for a minimal amount, not to exceed 15 percent of its current annual assessment, the Executive Director shall notify the government concerned that, unless payment is received within six months after the date of notification, the provision of documents and other services will be discontinued thereafter. If payment is still not received after a further six months, all rights of that member shall be suspended until such time as it has paid in full its assessments, unless the Committee decides otherwise.

### Previous Action by the Standing Committee:

At its 409th Meeting, the Standing Committee decided to apply the Rules strictly with regard to arrears. The Executive Director was instructed to consult with the Standing Committee before implementing specific actions.

### Action to be Taken on September 27, 1995:

The provision of documents and other services will be discontinued to Guatemala, Iran, Nicaragua and Sénégal.

### Background of Assessment Payment of Affected Countries:

Guatemala is currently in arrears in the amount of \$76,008, representing assessments for 1989/90 through 1994/95 and a partial amount for 1988/89. The last payments were in September 1992 and September 1991 to settle assessments for 1986/87, 1987/88 and part of 1988/89. Guatemala has been a member of the ICAC since 1955. Cotton production, which was as much as 160,000 tons in 1978/79, fell to around 40,000 tons in the late 1980s and early 1990s. It has fallen to an estimated 4,000 tons this season. Guatemala has been represented at four of the last five Plenary Meetings.

Iran is currently in arrears in the amount of \$29,300, representing assessments for 1993/94 and 1994/95, and part of 1992/93. The last payment made by Iran was in November 1992 to settle arrears for 1991/92 and part of 1992/93. Iran has been a member of the Committee since 1946. Iran is expected to produce 165,000 tons of cotton in 1995/96, up from 115,000 tons in the late 1980s. Iran has been represented at three of the last five Plenary Meetings. Iran nominated a candidate for the 1994/95 Research Associate program who was not able to come to Washington. Communications with Iran are only by mail and slow.

Nicaragua is currently in arrears in the amount of \$80,906, representing assessments for 1989/90 through 1994/95 plus part of the assessment for 1988/89. The last payments made by Nicaragua were in June 1993 and October 1990 to settle arrears for 1986/87, 1987/88 and part of 1988/89. Nicaragua first presented a plan for the settlement of arrears to the Committee in 1986. Changing circumstances prevented full realization of the plan, which has since been modified on several occasions. Nicaragua has been a member of ICAC since 1954. Cotton production was as much as 144,000 tons in 1973/74, but fell to 25-85,000 tons in the 1980s and is currently estimated at 5,000 tons in 1995/96. Nicaragua has been represented at one of the last five Plenary Meetings (1990). Nicaragua has expressed an interest in serving as host of a future Plenary Meeting and is hosting the Fifth Meeting of the Latin American Association for Cotton Research and Development in November 1995.

Sénégal is currently in arrears in the amount of \$31,200, representing assessments for 1992/93 through 1994/95. Sénégal has been a member of ICAC since 1992. Sénégal currently produces about 12,000 of cotton a year, down from 20,000 tons in 1991/92. Sénégal has been present at each of the last five Plenary Meetings (three as a member and two as an observer). A new director general has been appointed at the cotton organization representing Sénégal in the Committee in the last year.



Standing Committee  
Washington, DC

INTERNATIONAL COTTON ADVISORY COMMITTEE

Attachment IV to SC-N-413  
September 25, 1995

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## Plans for the 54th Plenary Meeting

The 54th Plenary Meeting will be held October 22-27, 1995, in Manila, the Philippines, at the Philippine International Convention Center, on Roxas Boulevard, Manila. The Convention Center is adjacent to the Westin Philippines Plaza Hotel, which is located on Manila Bay, about 20 minutes from the international airport.

The Organizing Committee plans to facilitate transfer from the airport and hotel check in for participants in the Meeting. All participants are asked to fax their flight arrival details to the Philippine Cotton Corporation at fax number 63-2-631-2113.

The government tax on hotel accommodations has been lowered to 13.9%. The hotel service charge of 10% is additional to this tax.

The Proposed Agenda, List of Documents, List of Working Papers, Reports of the Chairman of the Standing Committee and the Executive Director and Working Papers for the Plenary Meeting were mailed on September 15 to Delegates to the Standing Committee, Coordinating Agencies and to at least one registered delegate from each country (when registered delegates are different from delegates to the Standing Committee or Coordinating Agencies). Working Paper I included in this mailing discusses procedures at the Plenary Meeting.

At the Plenary Meeting, each delegation will be furnished with two copies of all documents. All participants will receive copies of the Agenda, Reports of the Chairman of the Standing Committee and the Executive Director, the Annual Review of the World Situation, *THE ICAC RECORDER* and the Directory. Copies of the following documents in addition to the two being furnished to each delegation are available for purchase from the Secretariat: *COTTON: WORLD STATISTICS*, *WORLD TEXTILE DEMAND*, *WORLD COTTON TRADE*, *OUTLOOK FOR COTTON SUPPLY IN 1995/96* and the three surveys conducted for the Plenary Meeting. Copies ordered in advance will be delivered at the Plenary Meeting. Coordinating Agencies and Delegates to the Standing Committee will receive copies of these publications as they are available.

Simultaneous interpretation into all official languages will be provided for all Plenary Sessions, Steering Committee Meetings, the Drafting Committee Meeting and the Meeting and Technical Seminar of the Committee on Cotton Production Research. Interpreters in Russian and Arabic languages have been hired in Washington DC and will travel to Manila. Interpreters in French and Spanish have been hired locally in Manila. There will be no written translation of documents (Plenary Meeting draft statement, final statement or statements of delegations made during the meeting) in Manila, as no funds for this purpose were provided in the budget. The statement of the Meeting will be translated into all official languages following the meeting; the proceedings of the Meeting will be translated into English, French and Spanish following the meeting.

The room block at the Philippine Plaza Hotel has expired. Reservations will be taken as long as space is available. Any difficulties in obtaining hotel reservations can be communicated to the Philippine Cotton Corporation at the above fax number.

Delegates and observers are invited to register for the Meeting at the Philippine International Convention Center on Sunday October 22, 1995, from 9 am until noon and from 2 pm until 5 pm. Late registration will take place on Monday morning at 8:30 am. Meeting badges and documents will be distributed at registration. As no Secretariat bilingual personnel will be participating in the Meeting, the only language facility at registration will be English.



# INTERNATIONAL COTTON ADVISORY COMMITTEE

Standing Committee  
Washington, DC

Attachment V to SCN-413  
September 19, 1995

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## Uncollected Assessments of Member Governments of ICAC as of September 25, 1995

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Country	Current Year	Prior Years
Argentina	\$20,300	19,401
Belgium	15,200	
Brazil	39,400	28,158
Cameroon	16,000	
Colombia	15,600	18,067
Greece	21,800	19,300
Guatemala	13,400	76,008
India	26,700	
Iran	12,400	29,300
Israel	15,400	
Korea, Rep.	46,200	
Netherlands	12,100	
Nicaragua	13,100	80,906
Pakistan	36,300	36,876
Paraguay	26,200	
Philippines	1,485	
Poland	21,500	
Sénégal	13,300	31,200
South Africa	14,700	
Sudan	18,300	
Syria	24,100	
Turkey	30,800	25,400
Uganda	12,500	8,500
USA	136,700	
Uzbekistan	94,600	
Total	682,485	373,116

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# INTERNATIONAL COTTON ADVISORY COMMITTEE

Standing Committee  
Washington, DC

Attachment VI to SC-N-413  
September 25, 1995

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## Report of the Executive Director

In the period since the last meeting of the Standing Committee, the Secretariat of the Committee has been involved in the following activities:

### Economics and Statistics

The July-August issue of COTTON: Review of the World Situation was published in English, French and Spanish editions. Monthly Updates of the World Situation were faxed in English only to Coordinating Agencies on July 28 and August 18. Press Releases were also issued on July 28 and August 18 on changes in the world cotton situation. The Review and monthly updates presented current assessments of cotton production, consumption, trade, stocks and prices. The July-August Review also presented articles on the cotton situation in Colombia, Uzbekistan and Russia (reports of Secretariat assessments following travel to these countries).

Mr. Valderrama's travel to Latin America in July, reported earlier, included assistance to the government of Colombia on the development of a long term textile strategy; outlook meetings in five Argentine provinces for the benefit of farmers, cotton organizations and government officials; a briefing of cotton ginners in Paraguay; and assistance to the government of Bolivia in development of production of high quality textiles.

Dr. Townsend and Mr. Guitchounts, at the invitation of the Government of India, presented a three day seminar in Bombay on the sources and uses of cotton market information. Two days were spent in discussions with Indian cotton and textile authorities regarding the current situation.

Dr. Shaw addressed the Western Cotton Conference of the Western Cotton Shippers Association in Fresno, California, on Trends in Consumption on September 8, 1995.

Presentations were made to and discussions held with representatives of China (Mainland)(Bureau of Cotton and Jute of the State Council), Azerbaijan (Ministry of Foreign Economic Relations), India (merchant and textile firms) and the USA (Mississippi State University, Hohenburg Bros., GAO) during the period.

### Technical Information

The September 1995 issue of *THE ICAC RECORDER* was prepared as well as the reports of surveys on bale specifications, agrochemicals used on cotton and the cost of producing raw cotton. All four reports are currently at the printers and will be distributed at the Plenary Meeting.

Subject to the settlement of a number of matters regarding the project plan of work and methods of disseminating results, the Consultative Committee of the Common Fund decided to recommend funding of the project on improving the marketability of cotton affected by stickiness proposed by CIRAD-CA of France and SODECOTON of Cameroon. Dr. Shaw, accompanied by Eric Hequet, Head of the Cotton Technology Laboratory of CIRAD-CA, Montpellier, France, defended the project in Amsterdam at the Consultative Committee's meeting the week of July 17, 1995.

Dr. Chaudhry presented a paper on trends in world cotton production at the Cotton Conference of the Gdynia Cotton Association on September 14, 1995, in Gdynia, Poland. Following the Conference, Dr. Chaudhry traveled to Adana, Turkey, to attend several working group meetings of the network for cotton production research in the Mediterranean and Middle East region the week of September 18. At the meetings, Dr. Chaudhry had the opportunity to renew contacts and discuss current work with cotton researchers in several member countries.

**Forum**

Reports and working papers for the 54th Plenary Meeting were prepared. The proposed detailed Agenda, together with lists of documents and all working papers were mailed to Coordinating Agencies and delegates to the Standing Committee on September 15, 1995.

**Administrative Matters**

Payments of assessments for past years were received from Brazil, Colombia, Poland and Uganda. Payments were received in the July-September period in payment of 1995/96 assessments from Australia, Chad, China (Taiwan), Côte d'Ivoire, Egypt, Finland, Italy, Philippines and Zimbabwe.

Ms. Olga Isengildina of Uzbekistan was at the Secretariat as a Research Associate during July and August. Ms. Isengildina is currently studying and doing research at Mississippi State University in a cooperative program between the University and the government of Uzbekistan.

Ms. Lisa An, Editorial Assistant on the Secretariat staff, resigned her position effective September 30, 1995. Ms. An has made many contributions to the work of the Secretariat as manager of the textile survey, preparing and editing English publications and preparing documents for the CD-ROM, Documents of the ICAC, and managing the ICAC library. The Secretariat staff would like to wish her well in her future endeavors, which undoubtedly includes a legal career as she is currently enrolled at the American University School of Law.

Ms. Carmen Sanchez-Gavito has been hired as Bilingual Assistant on the Secretariat staff. Ms. Sanchez-Gavito is a citizen of Spain.