



64th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

Summary 2nd Breakout Session Workshop on Good Trading Practices in the Yarn Trade

3:45 PM, Tuesday, September 27, 2005
Mr. Andrew Macdonald in the Chair

A workshop on Good Trading Practices in the Yarn Trade was held on Tuesday, September 27, 2005 in the Reid Room of St. George's Hall in Liverpool, UK. Mr. Andrew Macdonald of Brazil led the workshop. Approximately 40 persons attended.

There was a lively discussion ranging from the necessity of introducing an international standardized yarn contract, to the conviction that the nature of the yarn trade would make this an impossible task due to the complex nature of the quality composition of yarn. Also it was pointed out that most yarn contracting is on a spot basis making the link with forward contracts for the purchase of cotton difficult.

However as a consensus the participants in the workshop determined that a working group or expert panel composed of representatives from the International Cotton Association (ICA), the International Textile Manufacturers Federation (ITMF) and the ICAC should be formed to study the manner in which an international standardized yarn contract similar to the ICA contract for trade in cotton could be introduced. It was also determined that in conjunction with such a contract, the trade and yarn manufactures should be encouraged to utilize hedging techniques for cotton, to better protect both parties against the time lapse which occurs between purchase of the raw material and sale of the yarn.