

STATEMENT OF THE POLISH DELEGATION FOR THE 62ND PLENARY SESSION OF THE ICAC

General Information

The **2002/2003 season**, which finished on 31 July 2003, similarly to season 2001/2002, was not indifferent for the world cotton market. Once again, the world cotton consumption exceeding the previous season index by 800 thousand tonnes, reached the record level of **21 mln tonnes**. The reasons of this rise of consumption could be a low level of cotton prices (**average "A" Index = 55,50 US cents/lb**), as well as a dynamic development of the Chinese textile industry, where the consumption rose by 600 thousand tonnes, in comparison to the season 2001/2002. Government subsidies in many cotton producing countries still encourage to retain the **world cotton production** on the level higher than **19 mln tonnes**.

The rise of cotton consumption could even be greater if the world economy was not disturbed by local economical crises, Iraqi war, SARS epidemic, etc. These factors influenced the worsening of the consumers attitude towards purchasing consumption goods, including cotton products.

Despite Poland's being solely the importer of cotton and the low price level resulting from its subsidizing seems advantageous to importers and consumers, we notice negative impact of such deeds on the cotton market. It seems to confirm that in the years when the price level is low (seasons 2000/2001, 2001/2002 and 2002/2003), the quality of cotton entering Poland is worse, particularly when foreign matter and preparation are regarded. It means – the parameters closely connected with the care which is or is not taken of the plantations and ginning mills.

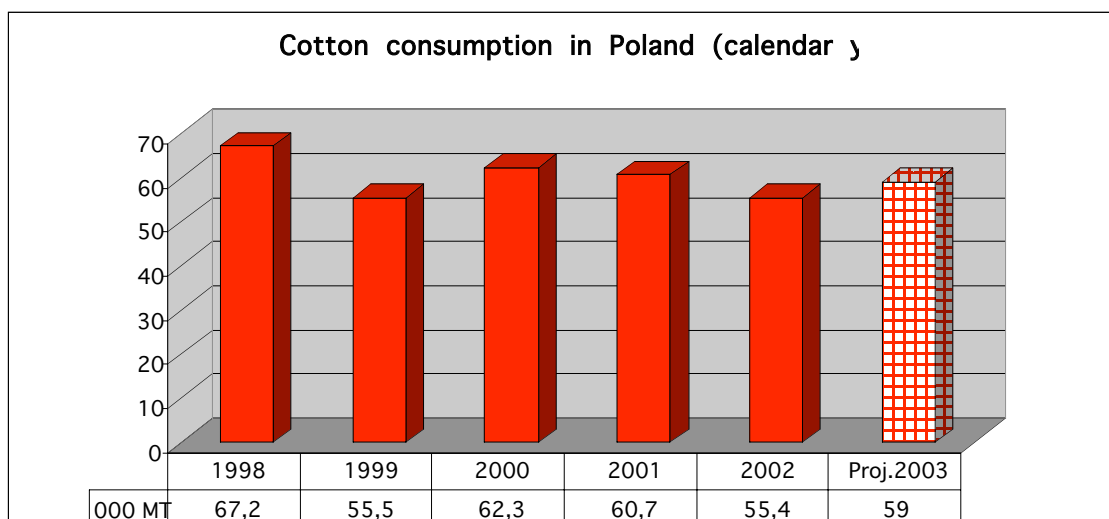
Market Situation in Poland

The year 2002 was worse for the Polish cotton market than 2001, in respect of imports and processing volume of raw cotton. It was expressed by **decrease of imports by ca. 5,5%** and of **cotton consumption by ca. 8,7%**, in comparison to the last year. Unfavourable economic situation, debts and lack of financial means in industry and mainly the flow of yarns and very cheap textile products from abroad caused the adverse impact on our market what resulted in delayed payment and financial obstacles.

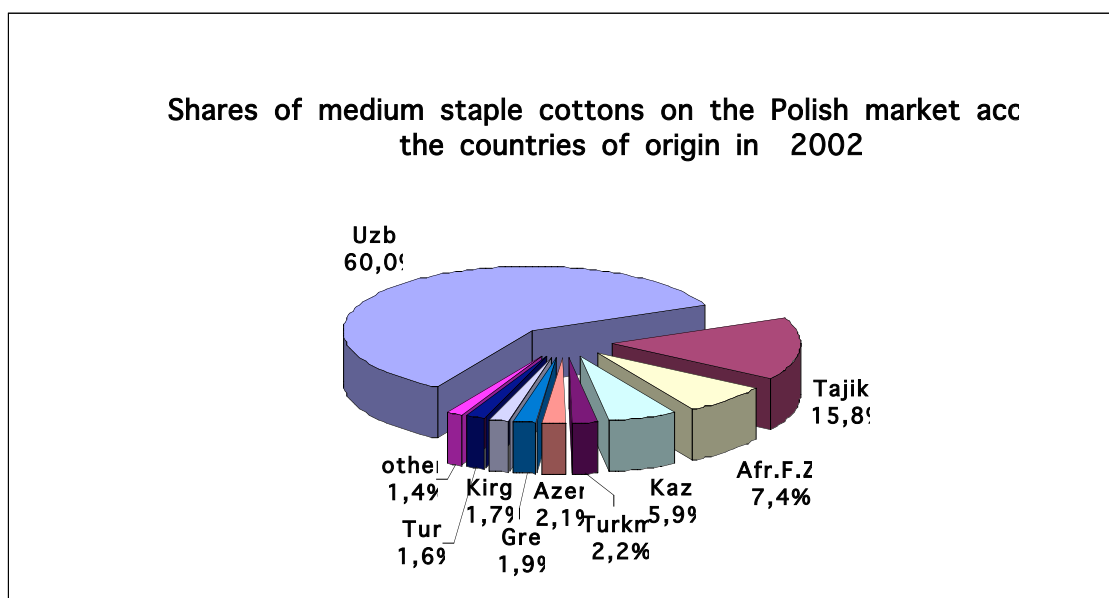
The Polish cotton sector was influenced also by the following factors:

- constantly low cotton price level – encouraging purchases and processing of cotton,
- strong position of Polish zloty in relation to US dollar and a little weaker in relation to Euro stimulated exports of Polish textile products,
- expensive credits which limit investments in the Polish cotton industry,
- mild domestic demand and a simultaneously big import of cheap cotton products (including used garments) to Poland adversely influence the volume of cotton processed in Poland.

During last five years, cotton consumption in Poland has been running at the range of 55 – 67 thousand tonnes. On the basis of information pertaining to the first half of 2003, it can be estimated that cotton consumption this year would be ca. 59 thousand tonnes. (*Graph No. 1.*)



Since 12 years, the directions of cotton imports to Poland have not been changed. (Graph No. 2)



Similarly as in the last decade, the dominating position on the Polish market is still being occupied by cottons from Central Asia, whereas varieties from other countries constitute only 12% of cotton processed in Poland.

Last year, the dominating position was retained by Uzbek cotton – 60% share in imports. In 2002, Tajik cotton was purchased and processed willingly, and its share was tripled last year. Varieties from Africa and Greece were taken to Poland in quantities similar to those of the previous years. American cotton disappeared from the Polish market, and very small quantities of varieties from South America, Syria or Pakistan enter the Polish market.

It is possible that facing the rise of prices of Uzbek cotton, in next few months and years Polish and European spinning mills will try to process greater quantities of exotic varieties.

Since 1989 the Polish cotton sector has been undergoing the process of re-privatisation. Cotton trade was privatised first. Since 10 years, 100% of it has remained in private hands.

In 1998 the private sector share in cotton yarn and fabrics production was 13%, in 1999 – 15%, at the beginning of 2001 – 28%, in 2002 – 58%, and in the middle of 2003 – 67%.

Since the beginning of the political-economical changes in Poland, the Polish cotton **sector has not been supported or subsidised by the government, and simultaneously there are no barriers in raw cotton and cotton products trade, as well as in imports of machinery for cotton processing.**

The Gdynia Cotton Association contribution

The GCA gathers domestic and foreign members representing cotton processing industry, as well as trading, forwarding, insurance companies, ports and scientific entities.

The GCA accredited laboratory effects cotton testing according to all Uzbek norms (UzRst 604/93, O'zDst 604/2001), Russian norm GOST 3274-72, as well as according to USDA HVI measurement system.

In its everyday activities the GCA undertakes numerous forms of activity to fulfil the statutory obligations and to attain the defined objectives. The Association represents interests of the Polish cotton industry in the government, it participates in the works of the Parliamentary Committees which work on economy and on Poland's accession to the European Union, it collects information and statistical data, promotes cotton by conscious stimulating of the customers' demand for consumption of good and healthy fibre - by labelling products with the **Pure Cotton Emblem**, etc.

The GCA promotes the sanctity of contracts and fair trading rules not only among its members but also among the domestic and world cotton society. There is the assumption, that the means to succeed in this field is a profound knowledge of law, cotton markets and raw material itself. Encouraging good trading practices we make efforts so that valid arbitral awards be enforced under the Polish law. That is why, one of the main objectives of the Gdynia Cotton Association is educational activity realised through training, seminars, international conferences and **permanent cotton classification courses**. Lately, besides Poles, their participants were students from Central Asia, Africa, Far East and Europe.

The Association co-operates closely with international cotton organisations, mainly with: ICAC (in contacts with which the GCA represents the Government of Poland), with CICC, USDA, European Cotton Associations. During last two years the GCA was active in establishing the European Cotton Confederation and in creation of the harmonised European By-laws and Rules.

The crowning of the GCA activity on the international cotton forum was conferring to the Government of Poland the organisation of the 62nd Plenary Session of ICAC in Gda_sk, and the GCA was appointed to realise it.