



INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702, Washington, DC 20006 USA
Telephone (202) 463-6660 • Fax (202) 463-6950 • e-mail secretariat@icac.org

Memorandum

To: Members of the Private Sector Advisory Panel
From: Executive Director
Subject: Meeting Arrangements in Bremen
Date: December 5, 2001

As mentioned earlier, the next meeting of the PSAP is scheduled to take place in Bremen on 13 March 2002 at 14:00 hours. I have asked the Secretariat of the Bremen Cotton Exchange to send pre-registration material and a hotel reservation form to all members of the PSAP. Please watch for that material to arrive by regular mail. Registration for the International Cotton Conference Bremen and hotel reservations should be conducted through the Bremen Cotton Exchange using the forms they are providing.

Since the last communication in November, one additional suggestion for the agenda of discussions in Bremen has been received from Romano Bonadei. His suggestion is added to those received previously, and all suggestions received to date are included here. Please recall that members are asked to respond with additional comments, either additional points for the agenda or comments on points already raised, by December 14th. Felix Stiegwardt will use the comments to produce a draft agenda for circulation in January and additional discussion before the meeting in March.

Ray Butler:

We should return to the Sanctity of Contract issue, to note in particular what reaction, if any, there has been to the ICAC Plenary Statement on this issue and to review what comes out of the Standing Committee's discussion in January. It would seem to me that we should be recommending that the Standing Committee instructs the Secretariat to monitor continuously the progress made by individual countries and to point out areas in which further action is required.

Felix A. Stiegwardt:

I wish to propose the following points for the agenda. I realize that many of these points have already been discussed and/or are on a Working Group or task force plan, however, most of these issues are so important, that monitoring by the Secretariat and maybe even by the Standing Committee should be highly recommended.

1. Reinforce the means to enhance world cotton demand, worldwide increase of cotton use and share in final textile products.
2. Re-emphasize and follow up on the work being done and to be done on Government measures in some countries that distort free cotton trade and prices, as per mandate of the 60th Plenary Meeting.
3. Assistance of tuition and advise for the use of genetically engineered cotton, (since it has been acknowledged that it's use is safe), to those countries that have not yet implemented it or are reluctant to do so, explaining the advantages of it's use.

4. Research additional means and technology to improve productivity and pest control, particularly for mini farms in developing cotton producing countries.
5. Quality: Broadly applicable to all steps as: seed variety used, production techniques, picking, ginning, packing, handling and shipping.

Andrew Macdonald:

I believe much could be done regarding hedging, or shall I call it crop price insurance. Whenever this topic is raised we embark on too many complicated explanations about futures and options. We have convinced the Bank of Brazil for example, the government bank, of the importance of adding price insurance with crop insurance, and so today in Brazil anyone may buy options through the Bank [please note, only buy, and only options, not futures]. The Bank does the operation and finances the premiums, on the theory that if the market goes in favor of the option buyer, the Bank can take the cost of the option out of the funds to be received when selling the cotton. If the market goes against, then the Bank will receive the premium and can credit its client.

It is simple, and I believe with SIMPLE explanations to growers, combined with asking banks, especially banks of governments in each country, to follow a similar method would give everybody a more healthy trading place. Banks would get paid, the seller would not be tempted to walk away from a contract if the market went up, and the producer would have some sort of guaranteed price at the time of planting.

Sebahattin Gazanfer:

I am in a position to suggest three items which might merit further attention and additional discussion:

1. *Demand enhancement for cotton:* What can be done to promote cotton generically not only in the domestic markets, as it is generally the case now, but also in the non-cotton producing markets? I know this subject will eventually be on the agenda of the International Forum for Cotton Promotion, but I also think that targetting consuming countries sooner could produce positive results earlier.
2. *Contract sanctity:* With respect to inviting governments to take the necessary steps to make arbitral awards enforceable in their own national boundaries, suggestions have been made as to the adoption of the UNCITRAL Model Law to facilitate such reinforcements. It would be appropriate for the ICAC to clarify this issue as to the available options with respect to the model laws, coupled with a survey outlining which countries have/still do not have the necessary laws for the enforcement of arbitral awards. Perhaps also giving an indication on how universal is the UNCITRAL Model Law. This work might necessitate expert advice outside the ICAC, but we might consider its benefits which might be obtained by disseminating this information among member countries.
3. *Cotton price developments:* As we have entered into a period of really extremely low (lowest since 1972/73) price levels and with no clear sign of improvement in the near future, and taking into account that a satisfactory solution on the issue of government measures cannot be achieved very soon, would there be any immediate/urgent measures that can be proposed for the achievement of a healthier world cotton economy?

Charles Wilson:

The two main issues of concern and ones we wish raised at this stage are thus:

1. Contract sanctity - again. The Shippers are having problems as I write with mills not honoring contracts and are in various parts of the world trying to resolve issues. The Farm

side of the business in Australia is quite good in this regard with Farmers honoring both currency and futures contracts.

2. The US Farm Bill. This is obviously a major part of the world issue of subsidies. However with the Bill now in the Senate and a big push from the President and his new Special Assistant on Farm Policy (Charles Conner) to re-shape the Bill on more "market oriented lines," we need to ensure that the international cotton community is doing all it can to get a more favorable outcome this round. The PSAP meeting is not until March, I would be interested in knowing if other members would be keen to get the ICAC to do all in its power to support this new direction **now**. (March may be too late). I feel we need a co-coordinated effort from all producing countries on this issue. ICAC could be the vehicle to organize this. The ICAC 60th Plenary Statement urged the establishment of a working group with the "mission of identifying strategies to reduce and eventually eliminate the negative effects on trade caused by direct government assistance to cotton production and trade." The Australian Cotton Industry will be flexing its muscle domestically to get all the support we can to Charles Conner. I hope other countries will also help.

Romano Bonadei:

I wish to propose that if we want an increase in cotton use, it will be necessary to control and to reduce stickiness through the use of good farming practices, new testing methods and with increased resource for research and development.