Standing Committee

INTERNATIONAL COTTON ADVISORY COMMITTEE

Washington D. C.  
June 4, 1970

MINUTES

233nd meeting of the Standing Committee
Thursday, May 21, 1970 - 11:00 a.m.
Room 1105, United States Department of State
Washington D. C.

PRESENT:

Mr K. E. Frick, United States (In the Chair)
Mr J. L. Sola, Argentina
Mr W. R. Moran, Australia
Mr Manfred Ortner, Austria
Mr Gilberto Saboa, Brazil
Mr T. Nkuo, Cameroon
Mr A. de las Casas, Colombia
Mr J. Fourcade, France
Mrs Eva Poetting, F. R. of Germany
Mr A. Coutris, Greece
Mr I. Ohtaka, Japan
Mr M. Ramirez Genel, Mexico
Mr J. F. Osten, Netherlands
Mr Alfredo Valencia, Peru
Mr J. Pacheco, Peru
Mr Manuel Bramao, Portugal
Mr B. Freymond, Switzerland
Mr Ozger Akad, Turkey
Mr H. O'Brien, United Kingdom
Mr H. R. Webb, United States
Mr H. Porter, United States
Mr G. Alexander, United States
Mr Saul Drimmer, United States
Mr J. C. Santley, Executive Director
Mr M. E. Thigpen, Economist
Dr H. S. Singh, Economist
Mr J. M. van der Zanden, Administrative Officer
Mr M. Ali, Secretariat
Adoption of the agenda

The agenda was adopted without change. 
(Agenda Item 1)

Report on the World Cotton Situation

Mr Thigpen reported (Attachment I to SC-N-233). 
(Agenda Item 2)

Matters arising out of previous meetings

None 
(Agenda Item 3)

Country statements

None 
(Agenda Item 4)

Policy matters

None 
(Agenda Item 5)

Report of the Subcommittee on Finance:

Mr Ramirez Genel (Mexico) reported (FS-M-230 and 231).

In reply to a question from Mr Moran (Australia), the Executive Director said that the first session of the Plenary Meeting in June will be devoted mainly to monetary and fiscal matters.

The Standing Committee approved the tentative agenda for the 29th Plenary Meeting in October.

The Standing Committee agreed to refer the modifications to Article II, Sec 4 b. of the Rules and Regulations to the Plenary Meeting in June. This modification will require that, in future, the equal contribution of all member countries would be equal to one percent of the total amount of the assessments. It would take the place of the existing regulation where the equal contribution is increased by $100 for each ten percent increase
The Standing Committee approved the modification to Article II,
Section I of the Staff Regulations as recommended by the Subcommittee
(FS-M-229). This change merely involves the removal of the words
"Federal and state" from the existing wording of Section 9 e.
This section would now read:

"Under no circumstances shall the Committee be liable for the
payment of income tax on severance pay received by an employee".

The Standing Committee then considered the suggested changes in
Article II, Section 4 set out on page 3 of FS-M-230. The Executive
Director explained that there were two basic changes involved, namely,
to make any action for non-payment of assessments automatic and not
subject to a decision by the Standing Committee, and to reduce the
period when such action could be taken. Under the present Rules
and Regulations action concerning non-payment of assessments may
only be taken after a period of two and a half years. Also, the
Subcommittee had recommended that the contributions of member
governments should be due and payable during the month of July.
Under the present arrangement, although assessments are payable
on July 1, payments are actually made throughout the fiscal year.
Mr Santley explained that these changes to Article II were very
serious proposals, and, on these grounds, he recommended that
this item be taken up by the Heads of Delegations at the October
Plenary. The Standing Committee agreed to refer this matter to
the October Plenary Meeting.

Mr Fourcade (France) said that these changes were stringent ones
and certain countries may have difficulty in complying with the
revised regulations concerning payment of assessments. He thought
that payment should be due and payable during the first 3 months
of a fiscal year and not during the month of July. The Executive
Director explained that if the changes to Article II, Section 4 were
approved, some provision would have to be made for a transition
period before the regulations could be put into effect. Mr Fourcade said
that, if the proposed changes were adopted, countries would need to
be notified of their assessments earlier than the usual date of July 1st.

Mr Valencia (Peru) pointed out that the present Rules and Regulations
on assessments were, in fact, more stringent than the ones proposed
by the Subcommittee.

Mr Ramirez Genel said that he thought that the changes would help in
the payment of assessments.
In reply to a question from Mr Webb (United States), the Executive Director said that the Standing Committee could either pass the proposed changes to the Plenary Meeting as a recommendation or merely refer them to the Plenary Meeting. His strong recommendation however, would be that this item should be merely referred to the Plenary Meeting.

Mr O’Brien (United Kingdom) said that the discussion merely centred on whether payment should be made within one month or within the first quarter. He explained that this whole question would be discussed fully at the October Plenary Meeting. He thought that the more punch the Committee could get in this rather serious financial matter the better it would be. He thought that the difficult financial situation of the Committee should be brought vividly to the attention of all delegates. He thought, therefore, that the original suggestion of thirty days of the Subcommittee should be referred to the October meeting.

At the suggestion of Mr Fourcade, it was agreed that the Secretariat should prepare a memorandum explaining the recommendations of the Subcommittee concerning the payment of assessments. The memorandum would be appended to the Agenda.

The Standing Committee agreed to refer the recommendations of the Subcommittee on Finance concerning modifications to Article II of the Rules and Regulations to the October Plenary Meeting.

The Standing Committee then considered a suggested change in Article V, Section 1 of the Rules and Regulations concerning the election of officers of the Committee and the question of rotation (see page 2 of FS-M-231).

The Executive Director explained that this matter related to a proposal by the USSR delegation that the Rules and Regulations should be modified to provide for mandatory rotation of the elected officers of the Committee. Most countries were of the opinion that the present Rules and Regulations were flexible enough to provide for any system of rotation and, therefore, they did not see any need for a change in the Regulations. However, the Subcommittee, as a compromise, had suggested that the Rules and Regulations of the Committee be amended to include the following:

"In the election of its officers the Committee should take into account the desirability for rotation on as broad a geographical basis as possible and give adequate representation to both importing and exporting country"
This language also took into account the proposal of the Netherlands delegation that delegates from importing countries should be considered for election to one of the three offices of the Committee.

Mrs Poetting (F. R. of Germany) said that her government would prefer that the Rules and Regulations remain as they are as they provide enough flexibility for the election of the Committee's officers. She had no instructions on the new text.

Mr Valencia said that, when this matter had been discussed in the Subcommittee, he had reserved his position on this particular point - he wished to do so again. He did not think that the four lines representing the amendment to the Rules and Regulations represented the objectives of the Committee, and added that the reasons that justify the existence of the Committee are defined in Article I of the Rules and Regulations, namely, 'to observe and keep close touch with developments affecting the world cotton situation.' In the suggested addition to the Rules and Regulations, nonetheless, the emphasis is placed on geographic representation and not on the basic objectives of the Committee. He agreed with equal representation by importing and exporting countries.

Mr O'Brien said that, during the discussions on this item, he had re-iterated the United Kingdom's view that the existing Rules and Regulations were flexible enough. However, the proposal from the USSR had to be dealt with. The suggested phrasing did represent some modification from the original USSR proposal. He felt that, as result of the discussions, those in favour and those against the Soviet proposal had moved nearer together. The suggestions of the Subcommittee did enable the Standing Committee to move the Soviet proposal back into the Plenary Meeting. Mr O'Brien said that his participation in drafting the proposed change, in no way committed the UK government to one view or another, when this matter is discussed at the Plenary Meeting.

Mr Ramirez Genel said that his government believed that the present Rules and Regulations were flexible enough concerning the election of officers. This item had been discussed for several meetings and the Subcommittee had decided that the suggested revision to the Rules and Regulations would be the best way of bringing it to the Plenary Meeting. Mexico was not committed to approve the proposed change.

Mr Fourcade said that his government considered that the present Rules and Regulations provided enough flexibility. The Subcommittee,
However, had been faced with the proposal from the USSR delegation that would eliminate this flexibility entirely. He would have no qualms in accepting the language proposed by the Subcommittee on Finance, particularly, if it were acceptable to the USSR delegation. The suggested change should be viewed as an attempt to reach a compromise.

Mr Webb said that the US delegation agreed with the views expressed by many delegates that the present Rules and Regulations were flexible enough. His delegation viewed the wording as pointing out the flexibility of the existing situation and not obligating the Committee to do anything in the matter.

Mr Valencia said that the sentence under consideration might be changed to read:

"In the election of its officers the Committee should take into account the furtherance of international collaboration with due regard to maintaining and developing a sound world cotton economy, and the desirability of adequate representation being given to both importing and exporting countries".

The Standing Committee agreed to refer the suggestions of the Subcommittee on Finance on the point under discussion to the October Plenary Meeting.

The Executive Director explained that the Subcommittee recommended that the Standing Committee should merely report to the October Plenary Meeting on the discussions concerning the adoption of the Russian language. The Standing Committee agreed to refer this matter to the October Plenary Meeting.

The Standing Committee approved with within-grade increments for the professional members of the Secretariat (FS-M-230).

At the suggestion of Mr Valencia, it was agreed that the cost details prepared by the Secretariat would be made available when the question of the Russian language was brought up at the October meeting.

(Agenda Item 6)

(7) Report of the Subcommittee on Information

Mr Santley reported (IS-M-168 and 169). The report was approved.

(Agenda Item 7)
Any other business

Mr Fourcade said that he wished to raise a point which he would like to see further considered at the June Plenary Meeting. This point deals with Article V, Section 1 a. of the Rules and Regulations. The present text reads as follows:

"At intervals between Plenary meetings the officers of the Standing Committee shall be the officers of the Advisory Committee.

The officers shall be:

a. The Chairman
b. The First Vice Chairman
c. The Second Vice Chairman
d. The Executive Director"

Mr Fourcade said for some time he had felt that the Executive Director should not be included among the Committee's officers for the following reasons. The Executive Director is an international civil servant. He is appointed, not elected by Committee. He is a paid employee of the Committee and, under the Rules and Regulations, he does not have a vote in any of the proceedings of the Committee. The other three officers are all elected to serve without compensation.

Mr Fourcade said that he had discussed this proposal with Mr Santley and he knew that it had the approval of the present Executive Director. He, therefore, would not anticipate any difficulties in making this change in the Rules and Regulations during the June Plenary Meeting.

Mr Webb said that he would like to support the remarks made by the delegate of France.

On the suggestion of Mr Valencia, it was agreed that some mention should be made in the October agenda of the agenda considered during the first session in June.

(Agenda Item 8)

Meeting adjourned at 12.20 p.m.
INTERNATIONAL COTTON ADVISORY COMMITTEE

Washington, D. C. May 21, 1970

REPORT ON THE WORLD COTTON SITUATION
Presented to the Standing Committee
May 21, 1970

TABLE 1 - World supply and distribution

<table>
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<td><strong>Stocks, August 1</strong></td>
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<tr>
<td>United States</td>
<td>16.9</td>
<td>12.5</td>
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<tr>
<td>Other net exporters</td>
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<td>Net importers 1/</td>
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<td>6.3</td>
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<td>6.5</td>
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<td>Total</td>
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<td>23.5</td>
<td>18.7</td>
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<td>U.S.S.R., Mainland China</td>
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<td>3.7</td>
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<td>Eastern Europe</td>
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<tr>
<td>World total</td>
<td>30.6</td>
<td>27.2</td>
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<td><strong>Production</strong></td>
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<td>United States 2/</td>
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<tr>
<td>Elsewhere</td>
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<td>24.1</td>
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<td>Total</td>
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<td>31.3</td>
<td>37.3</td>
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<td>U.S.S.R., Mainland China and Eastern Europe</td>
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<td>16.6</td>
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<td>World total</td>
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<td>47.9</td>
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<td><strong>Total supply</strong></td>
<td>79.5</td>
<td>75.1</td>
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<tr>
<td><strong>Consumption</strong></td>
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<tr>
<td>United States</td>
<td>9.5</td>
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<td>8.2</td>
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<tr>
<td>Elsewhere</td>
<td>25.5</td>
<td>25.9</td>
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<tr>
<td>Total</td>
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<td>34.9</td>
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<tr>
<td>U.S.S.R., Mainland China and Eastern Europe</td>
<td>17.3</td>
<td>17.8</td>
<td>18.0</td>
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<tr>
<td>World total</td>
<td>52.3</td>
<td>52.7</td>
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<tr>
<td>Destroyed, etc.</td>
<td>.2</td>
<td>.4</td>
<td>.3</td>
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<tr>
<td><strong>Total</strong></td>
<td>52.5</td>
<td>53.1</td>
<td>53.2</td>
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</table>

1/ Including India and cotton afloat
2/ Adjusted for ginnings within season.
The current firmness of world cotton prices is based on the relative tightness of unsold 1969/70 crop supplies and the lightness of forward offers of early-maturing new crop staples. Although cotton prices have tended to strengthen since October and the Liverpool Index of prices for better quality upland cottons is at a peak for the season, the Index is little more than a cent per pound above the season's opening level and it is about the same as a year earlier. The strength of the supply situation has had an important influence on prices despite the adverse effect of the high cost of credit and the uncertain outlook for yarn sales on forward purchasing of cotton in importing countries.

By broad quality categories, the shorter staples remain in tightest supply. Consequently, Orleans/Texas Middling 1 inch cotton was recently quoted at Liverpool at over two cents per pound higher than at the beginning of the current season. In the United States, the 12-market average for Middling one inch cotton is about half a cent above repossession costs from the loan program while the Middling, 1-1/16 inch average is slightly below repossession costs. Prices of lower grade South Brazilian cottons reportedly eased recently.

In the Extra-long staple cottons, prices of Sudanese new crop cottons have declined slightly from the February opening levels and, in the same time, Peruvian Pima Liverpool quotation strengthened slightly.

The overall statistical situation remains much the same as was previously reported. World production is estimated at 51.8 million bales compared to 53.7 millions last season. Should indications that cotton offtake will remain at around last season's level of 53.2 million bales prove correct, the deficit in production would approach one and a half million bales and stocks at the end of present season would fall below 22 million bales.

With prospects for beginning stocks in 1970/71 to be at a low level relative to consumption, it is important that cotton production should at least match consumption in the immediate future. Indications of planting prospects suggest that the restoration of a balance between production and consumption will only be achieved if there is a recovery in average yield next season. Cotton growers in the United States intend to increase cotton acreage by less than three percent, but production would be substantially increased should yields fully recover to former levels. The initial acreage estimate for Mexico shows a further decline in cotton plantings in 1970/71. Trade sources in the Central American countries indicate the probability of another relatively small aggregate outturn next season. Cotton acreage in Greece is
expected to be 10 to 15 percent smaller than in the present season and cotton growers in Southern Turkey reportedly continue to substitute wheat for cotton. Conversely, the press has indicated that cotton plantings in the U.A.R. may be 10 percent greater than in 1969/70. Although cotton planting information is available for only a few countries at this time, it seems apparent that any cotton production increase as a result of expanded acreage in 1970/71 will be limited.
<table>
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<td><strong>U.S.A.</strong></td>
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<td>Orl. /Tex. M 1&quot;</td>
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<td>289 F Punjab S.G.</td>
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<td><strong>Peru</strong></td>
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<td>31.90c/</td>
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<td>Pima 1, 1-9/16&quot;</td>
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<td><strong>Liverpool CIF Index</strong></td>
<td>28.31</td>
<td>27.15</td>
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Prices are for shipment within the following three months, unless otherwise indicated. a/ Official sale price excluding carrying premium. b/ New crop. c/ April-May Shipments. d/ August-September shipments. e/ G5VS, May-June shipments. n= Nominal.