



INTERNATIONAL COTTON ADVISORY COMMITTEE

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23 September 2015

To:
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT2601
Australia

Ref: A91505 Cotton Shippers - submission

Dear Sir or Madam,

1. We are writing in regard to the application lodged by the Australian Cotton Shippers Association (ACSA) with the Australian Competition and Consumer Commission (ACCC) seeking authorization for its members to buy cotton based on high volume instrument (HVI) classing of color and leaf.

2. The International Cotton Advisory Committee (ICAC) is an intergovernmental organization that brings together 35 governments of cotton producing, consuming and trading countries. The Committee was formed in 1939 and Australia has been a member since May 1946. The mission of the ICAC is to assist governments in fostering a healthy world cotton economy. The Committee achieves its mission by providing transparency to the world cotton market, by serving as a clearinghouse for technical information on cotton production, by serving as a forum for discussion of cotton issues of international significance and by taking a pro-active stance in enhancing the sustainability of the world cotton sector. The role of the ICAC is to raise awareness of emerging issues, provide information relevant to the solving of problems and to foster cooperation in the achievement of common objectives. By congregating producing, consuming and trading countries and all segments of the cotton industry, the ICAC is in a unique position to work as a catalyst for constructive change.

3. One of the most important functions of the ICAC is to help improve the economic sustainability of the sector by reducing trade "friction". The most significant example of this is in instrument testing, a response to growing industry demands for objective and reliable test results. Instrument testing helps enhance demand by providing relevant technical information to spinners on a cost-effective basis, thus enabling them to optimize the use of cotton, and by furnishing rational incentives for the production and marketing pipeline to supply cotton with the characteristics desired by spinners. Only a worldwide harmonized control and testing system can favor a frictionless business environment for all participants in the commercial value chain.

4. The objective of instrument testing is improved efficiency in the standards used to describe cotton in world trade, thereby enhancing the competitiveness of cotton in relation to polyester and raising demand for cotton. The process of industry

standardization of instrument testing of cotton is occurring within a framework of increased recognition of the benefits of standardization generally. The world cotton industry developed over two centuries as a set of independent national industries, often with parochial rules and trade procedures, units of measure and domestic quality standards. These national idiosyncrasies may be traditional, and may even be romantic, but they are not efficient, and inefficiencies in the cotton industry are being pressured by competition with polyester in a competitive global economy.

5. In 2003, ICAC approved the formation of a Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC), which included at that time the renowned Australian expert on cotton classing Mr. Ralph Schulze. The purpose of the CSITC is to improve the competitiveness and accelerate the modernization of the world cotton sector by encouraging widespread use of high-quality instrument testing systems at the producer and end user levels within a standardized international testing system. The CSITC is working to facilitate the adoption of best instrument testing practices and procedures, so that test results can serve as a basis for the international trade in cotton, thereby providing relevant technical information to enable producers to identify potential areas of improvement and for spinners to optimize the use of cotton.

6. The aims of the Task Force on CSITC are:

- To facilitate the adoption of instrument testing as a basis for cotton quality evaluation and trading;
- To facilitate the widespread use of instrument testing systems at the producer level; and
- To uphold and improve the reliability of instrument testing by:
 - encouraging improvements in instruments; and
 - encouraging improvements in the operation of cotton testing facilities;
- To facilitate the adoption of instrument testing standards and procedures as defined by the Universal Cotton Standards Agreement.

7. As a result of the efforts of the CSITC, the use of instrument testing has increased and results among HVI laboratories are much better harmonized.

8. The initiative proposed by ACSA is in line with the objectives of the CSITC and we strongly support its approval.

9. We are at your disposal should any additional information be required.

Best regards,

A handwritten signature in black ink, appearing to read "José D. Sette". The signature is fluid and cursive, with a large initial "J" and a stylized "S".

José D. Sette
Executive Director