



Committee for International Co-operation between Cotton Associations

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Cotton Associations represented:

Alexandria Cotton Exporters' Association	Asociación para la promoción de la Producción Algodonera	Association Française Cotonnière	Belgian Cotton Association	Bremer Baumwoll- börse	China Cotton Association	Cotton SA	International Cotton Association Ltd	Japan Cotton Traders' Association
American Cotton Shippers Association	Association Cotonnière Africaine	Australian Cotton Shippers Association	Bolsa Brasileira de Mercadorias	Centro Algodonero Nacional	Cotton Association of India	Gdynia Cotton Association	Izmir Commodity Exchange	Karachi Cotton Association

25 April 2020

Dear Cotton Colleagues,

TO ALL INVOLVED IN THE COTTON AND TEXTILE SUPPLY CHAIN

We are all aware that the impact of COVID-19 extends worldwide and across all sectors. During this challenging time, our thoughts in the Committee for International Collaboration between Cotton Associations (CICCA) are with all those who are affected by the virus around the world. We extend our thoughts and best wishes to all those whose lives are affected both by the virus and by the economic effects on the livelihood of so many people internationally.

The rapid expansion of the COVID-19 pandemic has presented an unprecedented and unpredictable global trade environment and we acknowledge the extreme business conditions that confront us all. We all share the anxiety of not knowing how this will play out in the coming weeks and months but we must focus on present circumstances and work together to ensure that we achieve the best possible outcome for all the stakeholders in the global cotton trade.

CICCA was established in 1975 to promote safe trading and cooperation between cotton producing and cotton consuming nations and CICCA's purpose has never been more important than it is today. We are committed to the principles that underpin safe trading and contract sanctity – these are the principles of trust and cooperation between parties, adaptation of the detailed contractual terms to meet the needs of all parties but an enduring commitment between the parties to execute in accordance with the intent in the original agreement.

Since its inception CICCA has witnessed a changing market- place and no more so than in recent years. The cotton supply chain is varied and has a complex mix of participants. We believe that our core principles of collaboration, communication, and a shared commitment to fulfilling our contracts are more important than ever in these challenging times. If we do not sustain these principles, then the future for many friends and colleagues across the sector will be in doubt.

Contract sanctity is a key part of our trade environment and is defined as the ideal that once parties enter a contract they are bound by and must honour the terms and obligations of the contract. This principle allows for commercial certainty, where parties are aware that non-fulfilment of obligations constitutes a breach of contract. Parties involved in the contract incur the inherent responsibility to manage the risks associated with their contractual commitments. Commercial parties to contract may choose to amend or alter the terms of their existing agreements, but only by mutual consent. By definition, a contract is simply a mutually agreed upon set of terms that are binding and enforceable. Therefore, it is the right of parties to change their agreements with mutual consent, although no party is under obligation to do so. Further, any revision of contracts will retain the same enforceability and binding nature, and should not imply liberty to deviate from explicit performance. It is acknowledged that in certain circumstances these contractual changes will occur

and it is imperative to state that this does not dilute the overarching themes of contract sanctity or justify any non-performance of contracts.

In the cotton sector, associations trading rules provide some protection to cotton producers, shippers, agents and spinners (be they yarn producers or integrated mills producing finished goods). Yet there is no such protection between the manufacturer and the retailer. We are concerned to see the struggles of spinners and garment manufactures in many developing countries. These businesses, like many others, are faced with a market place that has changed dramatically in a period of weeks and the position is exacerbated by a rapid global fall in demand.

The nature of the cotton textile and apparel industry is fragile, with a long supply chain and the employment of many. The cancellation of downstream orders has inevitably increased industry risks. It is disappointing to note that certain retailers and brands are now renegeing on contractual commitments and the actions of these companies is creating a ripple effect through the supply chain that is having a dramatic impact on the lives of many who rely on the textile industry for survival.

The actions of all market participants during this difficult time will leave indelible marks that will be long remembered. While the current situation appears unsurmountable, the collective impacts of stimulus, markets, domestic support programs, the temporary nature of this catastrophe and other factors of influence will bring this to an end and restore business confidence. What we need consider is how to overcome this difficulty and avoid any unreasonable measures in the international cotton market.

In response to this global pandemic there has been unprecedented response from governments to mitigate the health and economic impacts caused by COVID-19. Financial packages designed to assist businesses focus on sustaining employment have been introduced around the world. We request our members that they highlight to their respect governments the risks and impacts that are occurring within our industry. It is to government that the cotton trade needs to highlight those businesses within their community that are setting examples of leadership and recovery, but just as importantly those that are not.

We believe that the reach and collective influence of CICCA members worldwide has huge potential to help set the conditions for the future of cotton. Each of our members has unique access to affiliated groups who can actively contribute to comprehensive supply chain contract sanctity. Furthermore we believe that the fundamentals of the cotton sector remain strong and the attractiveness of this uniquely attractive and sustainable fibre will endure. We ask member organisations to use your networks, influence and voice to contribute to cotton's future collectively.

With best wishes,



Cliff White
CICCA Chairman



Georges Toby
CICCA Vice-Chairman