

Speech of M.Yves Christophel, President of AFCOT
Montreux, Switzerland 2009

Ladies and Gentlemen,

I am delighted to see so many of you, the representatives of some forty countries, here this evening. On behalf of the Managing Board of the French Cotton Association (AFCOT), which I chair, I would like to thank you for attending our annual dinner and taking an interest in our organisation.

A special mention must be given to my predecessor Didier Mercier and my counterparts from cotton trade associations, who were introduced by Thierry Devilder, Vice Chairman of the AFCOT.

I would also like to thank Jon Devine, who is our guest of honour and will speak about a subject of particular interest to us all, namely the development of cotton, later this evening.

For the first time in the 119-year history of the AFCOT, our meeting is being held outside of France. We were keen to highlight the increasingly international nature and outward-looking ethos of this association. I would, however, remind you that we are in a function room named Deauville, which is on the waterfront. Although it is not salt water, we have not lost all our bearings!

Despite its climate, Switzerland has been prominent in the cotton industry for centuries! Spinning developed rapidly in the seventeenth century because a neighbouring country, France, was reluctant to spin and weave cotton, which was detrimental to linen. Spinning and weaving have continued since that time. In the middle of the last century, trading companies that had been forced to leave Egypt found fertile ground here for the development of their business activities. Finally, recent years have seen the arrival of companies trading various goods, including cotton, and benefitting from its central location in Europe, which is advantageous to trade. The Lemman basin is currently one of the most important trade centres for raw materials in the world.

Tradition has it that the Chairman of the AFCOT assesses market conditions over the past year and ventures long-range forecasts, and I will not break with it.

Recent upheavals in the cotton market and the global economic downturn have affected each and everyone of us — growers, ginners, traders, agents, bankers, forwarders, carriers, inspectors and spinners — which are just some of the professions represented this evening. To summarise the feeling within the sector, I would like to paraphrase the writer Romain Rolland: “short-term pain for long-term gain”.

- Firstly, we witnessed the turbulence on the New York Stock Exchange in early March 2008. It is no exaggeration to say that the fluctuations that occurred in those few short weeks had the effect of a tidal wave. A highly unpredictable context arose from new regulations governing transactions and the unprecedented amount of funds committed to our product. This economic climate resulted in a global loss sustained by traders throughout the world, which is estimated at over one billion dollars and whose consequences are still being felt in sales.
- The international banking crisis in the summer of 2008 then triggered a general climate of recession, which caused a particularly sharp fall in prices: the Cotton A Index compiled by Cotton Outlook fell from 81.70 cents per pound on 17 June 2008 to 50.15 cents per pound on 10 March 2009, i.e. a drop of 38.6% in ten months.
- The global recession caused a reduction in overall demand, which was estimated by the International Cotton Advisory Committee at more than 12% between 1 August 2008 and 31 July 2009. According to the organisation, this annual fall is the biggest since the 1920s.
- Whether taken in isolation or together, these factors have led to the suspension of trading, collapse or merger of companies that have been involved in the cotton trade for several generations, including the most major.

Added to these difficulties is the ongoing profitability crisis, which is affecting growers in the Central African franc (CFA) zone. The euro/dollar parity is the main cause of this, when it is not prices, as we note that when one rises, the other falls on a daily basis... The resulting lack of motivation amongst sub-Saharan farmers has led to a highly significant reduction in production, which has fallen by half in a matter of years. Given the importance of cotton for employment in the region, the human consequences of this situation are serious. They may go some way to explaining the flow of migrants between Africa and Europe.

I would offset this dire assessment with a number of reasons to be optimistic about the months and years ahead:

- Firstly, although current concerns are centred on a certain health issue, our profession is yet to be diagnosed with “cotton flu”!
- More seriously, prices appear to be on an upward trend since hitting rock bottom last March.
- Although textile feels the effects of a negative economic climate more quickly than food, it remains an everyday necessity. The appeal of cotton is not in the slightest doubt, quite the opposite. Following this decline, there is no question that textile consumption will return to, and then exceed, previous levels. When the trend reverses, the discrepancy between recent reductions in production and a significant increase in demand should logically lead to better prices.

- Following the events in the United States in March 2008, professionals from the cotton trade requested limits on speculation on the New York Stock Exchange. Discussions between these professionals, the authorities and the company managing the cotton exchange on how to set such limits are ongoing.
- Further to the creation of the Cotton Four which, in recent years, has compared the production conditions of small growers in Africa to those of major subsidised growers, particular consideration is being given to cotton in the definition of regulations governing international trade. Although nothing has yet been confirmed, hopes have been raised for a move towards greater fairness. For the first time, a ruling from the World Trade Organisation has enabled a country to claim compensation from another on the grounds of subsidies.
- By generating upstream and downstream employment, cotton growing remains the sole means of development for vast disadvantaged regions in the world, whether in Africa, India or China. It will continue to contribute to reducing poverty and malnutrition for many years to come.

Following this non-exhaustive overview, I would like to express my conviction that the cotton industry will adapt to the new environment that will follow the current period of historic changes, just as it has always done. The AFCOT will continue to accompany these transformations and it is on this subject that I would like to return to the remit of my association and yours, my fellow chairmen.

Our associations monitor and react, through communication, to changes in the global market. The CICCAs, the Committee for International Cooperation between Cotton Associations, brings us together and provides us with a framework for cooperation and exchange. It is, therefore, within the scope of the CICCAs that we have always contributed to determining and applying “good trade practices”.

Today the prominence of Asian consumer markets raises a number of issues. What better way is there of upholding such practices than by dialogue and inter-association cooperation? They will be better applied and followed if all parties are able to adapt them and make them their own.

For despite globalisation and the idea of a global village, we believe that the international harmonisation of our trade practices is unrealistic given the vastly different cultures in the cotton industry. However, cooperation between our associations may enable each party to incorporate “good trade practices” with a common foundation, the broadest possible, respecting cultural specificities. This is the spirit of the CICCAs, a platform for discussion where I would like to see all the associations operating in the international market use their voice.

By its necessity our profession, trade, requires us to find compromises and a basis for good relations in an attempt to satisfy the parties involved.

We work closely with the African Cotton Association, with which we have held joint conferences for the last three years. My warm congratulations go to Bachir Diop, the Chairman of the ACA, for his recently finalised partnership with the Association of African Cotton Producers. I have no doubt that this partnership will give fresh impetus to African cotton growing, which I would very much like to see.

In upholding the European Cotton Rules, the AFCOT aims to lay the groundwork for the fair settlement of possible trade disputes. It has therefore compiled a guide to arbitration and is planning to write, in the same vein, a guide for plaintiffs in the near future.

For the last 119 years, the AFCOT has been a respected association. Like all my predecessors, I want it to be modern, practical, and adapted to the changes that are affecting our professions. In 2002, we began to gain international exposure, which we are pursuing slowly but surely and with the minimum of fuss. The AFCOT will continue to embrace its role as a professional movement by informing its members of developments affecting our sector, organising meetings, determining workable ideas, and cooperating with other associations.

I will do my utmost to ensure that the AFCOT remains a forum for dialogue, information and exchange with the benefit of a common language and culture. It is my ambition to continue to maintain its dynamism and pro-activeness within the cotton industry.

I hope that our sector, which remains one of the noblest human activities, will return to prosperity for all those present this evening.

You may know that Montreux is the capital of jazz and pop rock. At a Frank Zappa concert in the former casino in December 1971, fans started a fire that caused no loss of life but destroyed the building. This incident, which disrupted the festival that year, gave the band Deep Purple the inspiration to write a song that would be a worldwide hit in 1972. I would like to end by quoting the lyric “Smoke on the water, Fire in the sky” in the hope that the sky clears over our profession and that the future of all areas of the cotton industry is equally successful!

I wish you all a pleasant evening. Thank you for listening.