

Business Session VII
Efficiencies in the Value Chain: Improving Cultural Practices in Trading Cotton in the Indian Sub-continent

Chair: Mr. Khawaja Tahir Mahmood, Chairman, Karachi Cotton Association

Speakers:

Mr. Greg Wakefield, President, Wakefield Inspection Services India Pvt. Ltd.

Mr. Andrew Macdonald, Chairman, CSITC

Mr. Unupom Kausik, Deputy CEO, National Collateral Management and Services Limited (NCML)

Bar Codes Enhance Management Efficiency

Mr. Wakefield spoke about the efficient use of controlling for domestic trade in the Indian sub-continent. He reviewed the role of controllers in the cotton supply chain as neutral, objective third-party observers to verify the identify, weight, quality and condition of shipments at origin and destination to the satisfaction of both parties to each shipment. Through the provision of accurate, timely information about weight, quality, moisture and other parameters of cotton bales, controllers can increase efficiencies in the cotton value chain. In India, controllers provide weighing, sampling, moisture testing at gin, warehouse or spinning mill, (Commercial Standardization of Instrument Testing of Cotton (CSITC) analysis of cotton quality, and stock checks. In Bangladesh, controllers supervise seal breaking and re-sealing during fumigation and customs, they arrange delivery dates, weighing and sampling, and assignment of responsibility for tare. In Pakistan, controllers provide weight and HVI data at destination.

Controllers can introduce efficiencies at many stages of the value chain by certifying bale identity, quality, moisture and weight, quickly, accurately, at low cost using cloud analytics to increase transparency and data availability. Controllers must ensure the competence of staff at both origin and destination, and to ensure timely service to avoid distortions caused by moisture gain or loss.

Mr. Macdonald spoke about the Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC). He drew an analogy between the development of telephones and cotton classing. He compared the simple early models of telephones around 1910 and the latest-model smart phones in 2016. Likewise, he compared cotton classing by men pulling staple a century ago to the universal use of HVI today. He called on all India cotton industry participants to shift from old quality measurement standards based on types and standards to HVI measurements. Mr. Macdonald explained that to use HVI, it is necessary to ensure testing is accurate and precise, on level with calibration standards used worldwide, via participation in Round Trials sponsored by CSITC. He explained why data from HVI are important to spinners in optimizing laydowns. Count Strength Product (CSP) can be calculated from HVI values. HVI is a real tool for the textile industry. Consistency is crucial, requiring 100% bale testing. Mr. Macdonald explained that consistent, accurate testing will lead to increased price premiums, and to achieve such consistency it is important that each HVI laboratory participate in CSITC Round Trials.

Mr. Kausik described the structure and ownership of NCML, major partners and the commodities handled. NCML is present in over 1,000 locations in India, including 39 locations in 12 states in cotton producing areas. Structured trade finance is an alternative means of providing financing using commodities as collateral. NCML uses a firm's ability to perform in analyzing credit worthiness, and does not rely on balance sheet values alone. He described procedures used by NCML to evaluate credit worthiness and to develop off-balance sheet financing products. Interest is market-determined with a margin of several percentage points.

There was agreement that all producing countries, including Bangladesh, India and Pakistan, must move toward 100% bale testing using HVI; 2% sampling is just not sufficient. Further, HVI laboratories must be testing to international standards, in conformance with procedures delineated in the CSITC Guideline (v.2.0) <CSITC.Org>, which includes participation in CSITC Round Trials.

To make use of the potential efficiencies available through data management, Bangladesh, India, Pakistan must move to the use of permanent bale identification tags (PBI) with bar codes. Bar codes enable the accurate and rapid connection of bale information and bale identity in electronic formats for ease of bale management and use throughout the value chain. It could be a role of the Cotton Association of India, together with the Cotton Corporation of India, to introduce universal use of PBI into India.