

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 5/8/2013

**GAIN Report Number:** CH13021

## **China - Peoples Republic of**

**Post:** Beijing

## **China Cotton Association - Cotton Purchase Contract**

**Report Categories:**

FAIRS Subject Report

**Approved By:**

Michael Riedel

**Prepared By:**

M Melinda Meador and WU Xinpeng

**Report Highlights:**

China Cotton Association (CCA) recently published a draft version of the COTTON PURCHASE CONTRACT AND GENERAL TERMS” for public comment. This contract is applicable to non-Chinese cotton trade and will likely be an optional contract available for implementation in 2013. This report contains an UNOFFICIAL translation of this draft measure. Comments can be sent to China Cotton Association by email: [lupeng@china-cotton.org](mailto:lupeng@china-cotton.org) or fax to: 86-10-6605-3474 before May 15, 2013.

**Executive Summary:**

China Cotton Association (CCA) recently published “COTTON PURCHASE CONTRACT AND GENERAL TERMS (Draft for collecting opinions).” This contract is applicable to non-Chinese cotton trade and will likely to be available for use in 2013. This report contains an UNOFFICIAL translation of this draft. Comments to China Cotton Association can be sent by email: lupeng@china-cotton.org or fax to: 86-10-6605-3474 before May 15, 2013. CCA said this Contract (Draft) contains several amendments to its 2003 version and is an option for traders to use in purchasing non-domestic cotton.

**BEGIN TRANSLATION**

**COTTON PURCHASE CONTRACT AND GENERAL TERMS**

(APPLICABLE TO NON-CHINESE COTTON TRADE)  
(Draft for collecting opinions)

**INSTITUTED BY CHINA COTTON ASSOCIATION**

Effective in xx, 2013, to replace the edition of May 2006

China Cotton Association

Imported Cotton Purchase Contract

Contract No.:

Buyer:	Seller:
Address:	Address:
Tel:	Tel:
Fax:	Fax:
E-mail:	E-mail:

Agent(Buyer):	Agent(Seller):
Address:	Address:
Tel:	Tel:
Fax:	Fax:
E-mail:	E-mail:

This Contract is made and entered into by and between the Buyer and the Seller; and in accordance with the terms and conditions of the Contract, the Buyer agrees to buy and the Seller agrees to sell the following commodity:

1. Commodity

Origin:

Crop year:

Category:  upland cotton  long-staple cotton

Ginning:  saw ginned  roller ginned

## 2. Quality/Specification

Grade:

- USDA Universal Cotton Standard
- By sample (type No.)
- Other

Staple Length: ( inch, mm)

Micronaire: NCL

Strength: Minimum GPT(gram/tex)

## 3. Weight

( 1) Net Weight: (  ton,  pound) , 1 ton = 2204.6 pounds

( 2) Moisture Retention ( Maximum 8.5%)

( 3) Weight Tolerance Ratio: ( If not specified here, 3% will be applied)

## 4. Price

Unit Price: ( US Cent/pound , Total value: ( USD)

Terms:

## 5. Payment Terms

- L/C
- D/P
- Others

## 6. Shipment/Delivery

## 7. Quality and Weight Inspection

CIQ shall conduct inspection when the shipment arrives at the destination. CIQ Quality Inspection Certificate and Weight Inspection Certificate shall be the basis for settlement and compensation between the Buyer and Seller.

## 8. Terms and Conditions Applied

The General Terms for Imported Cotton of CCA are applicable to this Contract.

## 9. Arbitration

Any disputes arising from the performance of this contract shall be referred to:

- [CIETAC];
- [ICA];
- Other arbitration institutions;

Arbitration will be conducted in accordance with the arbitration rules effective at the time of application.

## 10. Remarks

Buyer (Signature): Seller (Signature):

Date: Date:

China Cotton Association  
General Terms for Imported Cotton

( Effective in xx, 2013)

### 1. Definitions

The following terms shall have the following definitions in the General Terms:

- CIQ: China Entry-Exit Inspection and Quarantine。
- USDA: United States Department of Agriculture
- ICE: 纽约洲际交易所。
- NCL: Control limit not allowed.
- Notification: notify the other party by telegraph, mail, fax, email, or other methods.
- P Grade: the 1/2 grade between higher and lower grades according to the universal standards of USDA. For example: SMP is between GM and SM; MP is between SM and M, and so on.
- Bale with Quality Problems: bales contaminated with moldy cotton, water damaged cotton, oil stained cotton or burned cotton; or bales containing non-cotton substances, linters, cotton waste or dangerous foreign matter; or bales containing certain amount of cotton with different grades, different lengths or different colors.
- Landed Weight: the weight of goods confirmed by CIQ upon shipment's arrival
- More or Less Rate: the accepted percentage difference between invoice weight and contract weight
- Regained Moisture: the percentage of moisture weight in cotton fibers out of the total dry cotton weight
- Universal Bale: the bale with specification of ISO8115 determined by the International Standard Organization, which is 1060-1400 mm in length, 540 mm in width and 700-950 mm in height.

### 2. Packing and Identification

Cotton shall be delivered in the form of universal bales, compressed export packing suitable for voyage, tightly and completely packed.

Every bale shall be labeled with an ID card to include at least the batch number or bale number.

### 3. Shipment Notice

The seller shall notify the buyer of the name of ship, voyage number, shipment date, shipment port, destination port, contract number, B/L number, total value, gross weight and net weight within 72 hours after the issuance of bill of lading.

### 4. Documents

The seller shall provide the buyer with the following documents no less than 72 hours prior to the shipment arrival

- 4.1 Three originals and three copies of the commercial invoice, specifying the L/C number and contract number;
- 4.2 Two copies of weight documents produced after separately weighing the bales or containers;
- 4.3 Full set of clean B/L;
- 4.4 Two copies of packing list;
- 4.5 One original and one copy of certificate of origin, phytosanitary certificate and non-wooden packing certificate;
- 4.6 Quality and weight certificate provided by the consignor;
- 4.7 One original and one copy of insurance policy under CIF terms;

#### 4.8 Other documents

#### 5. Payment Terms

5.1 In the event that the seller and buyer agree to make payment by L/C, unless otherwise agreed, the buyer shall open a L/C approved by the seller through a bank mutually confirmed by both parties 10 days prior to the shipment date as stipulated in the contract.

5.2 In the event that the parties hereto agree to payment by D/P, the bank designated by the buyer shall make the payment on the basis of a complete set of documents provided in accordance with the Document Terms.

#### 6. Inspection Upon Delivery

CIQ will conduct inspections after the goods arrive at the destination and issue the weight inspection certificate, the quality inspection certificate and the inspection and identification certificate for problematic cotton bales, which shall be the basis for the settlement and claims between the Seller and Buyer.

##### 6.1 Weight Inspection

CIQ will weigh each bale or container depending on the condition of the arrived goods. Based on the quantity and differences in packaging, CIQ will randomly sample 1-5 percent of bales from each shipment and use the weighted average to determine the average tare weight. Then, CIQ will calculate the total tare weight of shipment and issue the weight inspection certificate.

Both the Seller and Buyer may assign a representative to the site for the purpose of observing the weighing and sampling process.

In the case that the weight of arrived shipment is 2 percent less than the invoice weight, the Buyer shall immediately inform the Seller, and the Seller shall assign a representative to the site to check the goods within 7 business days. If the Seller does not assign anyone to check the goods within the established timeframe, it will be determined that the Seller agrees to accept the relevant inspection results.

##### 6.2 Quality Inspection

###### 6.2.1 Sampling

Grade and staple: 10 percent to be sampled at random from each bale lot.

Micronaire and strength: Half of the 10 percent random sample will be inspected for micronaire and strength.

6.2.2 Inspection: a Lab that is qualified and approved by CIQ to inspect imported cotton will conduct the inspection according to relevant inspection procedures.

##### 6.3 Re-inspection

6.3.1 No weight re-inspection shall be conducted.

6.3.2 The Buyer shall inform the Seller immediately upon receipt of the CIQ inspection certificate. If either the Buyer or Seller has objections to the quality inspection result, such party may apply for re-inspection with the same CIQ or higher level CIQ within 15 days after receiving the inspection result. The re-inspection will only be conducted on the existing samples, and the re-inspection result shall be final.

##### 6.4 Inspection Expense

The Seller shall bear the weight inspection expense at the rate of US 50 cents per bale. In terms of the inspection for regained moisture, the Seller shall pay the sampling expense at the rate of US 80 cents per sample and additionally the moisture testing expense at the rate of USD 2 per sample.

The Buyer shall pay for quality inspections at the rate of USD 10 per sample. In the event of identified inferior grades, the Seller shall bear the inspection expense for the portion that is not in conformity with

that stipulated in the contract. Grade or staple inspection expense is USD 4.5 per sample, Micronaire inspection is US 50 cents per sample, and strength inspection is USD 1.50 per sample. CIQ conducts fumigation after the shipment arrives, and all the expenses arising from fumigation shall be borne by the Seller.

## 7. Quality Price Differential

Unless otherwise agreed to by the parties, the provisions hereinafter shall apply:

Upland cotton price differential (See Appendix One)

Lang-staple cotton price differential (See Appendix One)

## 8. Claim Indemnity

### 8.1 Packing and Labeling Nonconformity

Additional expenses arising from packing or labeling nonconformity to the terms stipulated in the contract shall be borne by the Seller.

### 8.2 Late Shipment

If the Seller fails to ship the goods according to the contract, the Seller shall pay the Buyer a late shipment fee equivalent to 0.05 percent of the total value of the commodity for each day the shipment is delayed. The fee will be incurred from the first day after the latest shipment date stipulated in the contract.

If the cotton fails to be shipped as scheduled due to the Buyer delaying the issuance of a letter of credit, the Buyer shall pay the Seller a late shipment fee equivalent to 0.05 percent of the total value of the commodity for each day the shipment is delayed. The fee will be incurred from the first day after the latest date for issuing a letter of credit as stipulated in the contract.

Under the circumstances that the Buyer delays issuing the letter of credit, the deadline of shipment will be correspondingly extended for the same dates as the Buyer has delayed issuing the letter of credit.

### 8.3 Delayed Notification

Under the terms of the CFR, if the Seller fails to promptly notify the Buyer, resulting in losses due to the Buyer not purchasing insurance in a timely manner, the seller shall be responsible for all losses.

### 8.4 Late Delivery of Documents

If the Seller fails to deliver documents to the Buyer within 72 hours prior to arrival of the shipment, which leads to extension fee, demurrage charges and expenses for delayed customs declaration, the Sellers shall pay the foresaid expenses.

### 8.5 Weight Differences

8.5.1 If the difference between the invoice weight and the contract weight is within the scope of more or less rate stipulated in the contract, payment shall be settled at the contract price. Any differences exceeding the scope of more or less rate stipulated in the contract shall apply to the details below:

For excess weight, the Buyer will settle the payment with the Seller at a lower price than the contract price (calculated at the contract price – US 3 cents/pound).

For insufficient weight, the Seller shall compensate the Buyer the liquidated damages (calculated at the value of insufficient weight □ US 3 cents / pound).

8.5.2 In the event of a difference between the invoice weight and the landed weight, the provisions hereinafter shall apply:

8.5.2.1 If the difference between the invoice weight and the landed weight is within 2 percent:

1) For excessive weight (landed weight – invoice weight), the Buyer shall settle the payment at the contract price with the Seller.

2) For insufficient weight (the invoice weight - the landed weight), the Seller shall return the payment

for the insufficient weight to the Buyer.

8.5.2.2 If the difference between the invoice weight and the landed weight exceeds 2 percent:

1) For excessive weight, the Buyer will settle the payment with the Seller at a lower price than the contract price, (calculated at the contract price – US 3 cents/ pound).

2) For insufficient weight, the Seller shall return the payment for the portion of insufficient weight to the Buyer, and additionally compensate the Buyer the liquidated damages, (calculated at the insufficient weight  $\square$  US 3 cents / pound).

8.5.3 If the regained moisture rate exceeds the rate stipulated in the contract, the corresponding weight shall be subtracted from the total weight.

## 8.6 Quality Difference

8.6.1 The Seller shall compensate the Buyer as provided herein for any differences between the landed quality and contract quality.

8.6.2 If landed shipment of cotton is 2-1/2 grades inferior to the contract grade in terms of quality and 1/8 inch inferior to the contract in terms of staple length, the Seller shall pay the Buyer a compensation for the default equivalent to 25 percent of the contract value for total defectives bales in addition to price reduction for inferior grades.

## 8.7 Disposal of Problematic Bales

For Problematic Bales, the Seller shall compensate the Buyer for direct loss and for reasonable expenses connected to the disposal of problematic bales according to CIQ inspection identification results.

## 9. Claim Period

Unless otherwise agreed to by the parties, claims for inconformity with the contract shall be made to the other party within 70 days after the last day of arrival or its release from a bonded zone. Compensation payments shall be settled within 35 days after the claim is initiated.

For Problematic Bales, the Buyer shall make a claim within 6 months after the shipment arrival. After the claim, the bales shall be stored separately for 28 days in order to be inspected by the Seller. The Seller shall be deemed to accept the claim if they do not re-inspect the bales within this timeframe.

## 10. Contract Termination

Unless otherwise agreed, the Contract may be terminated based on any of the following events:

10.1 The Contract has been completed;

10.2 Both parties may terminate the Contract by reaching an agreement or through arbitration.

## 11. Others

Unless otherwise provided herein, the Contract is subject to the United Nations Convention on Contracts for the International Sale of Goods (CIGS, namely 1980 Vienna Convention). Any quotation of trade terms (such as CIF, FOB and CFR) shall be deemed as the quotation of the relevant terms under the 2000 International Rules for the International Trade Terms (INCOTERMS)

## 12. Arbitration

Unless otherwise agreed by the parties, all disputes arising from the performance of this contract should be referred to the China International Economic and Trade Arbitration Commission (CIETAC) for arbitration.

## 13. Application Language

The Chinese version and English version have equivalent legal effect. Should there be any

inconsistencies between the Chinese and English versions, the Chinese version shall prevail.

END TRANSLATION