



INTERNATIONAL COTTON ADVISORY COMMITTEE

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Statement of the 64th Plenary Meeting

“Industry Standardization: the Key to Trade Growth”

The International Cotton Advisory Committee met in Liverpool, UK during September 26-29, 2005 for its 64th Plenary Meeting since 1939. Representatives from 45 governments and 8 international organizations participated in the meeting.

1. Cotton Consumption Record High, but Stocks Rising: The Secretariat estimates that world cotton production will reach 25 million tons in 2005/06, 5% less than last season but still the second highest on record. Demand is expected to increase by 3% to 24 million tons, and as a consequence world trade in cotton is expected to rise to a record of 8 million tons. World ending stocks are projected to climb to 11 million tons at the end of 2005/06, the highest since 1985/86. According to the Secretariat, the average cotton price is expected to rise in 2005/06 because of the increases in consumption and trade.

2. Successful Doha Round Outcome Essential: Member Governments reaffirmed that production and export subsidies distort cotton production and trade causing negative impacts on cotton farmers, especially in the developing and least developed countries. The Committee called on the WTO and its members to urgently reach an ambitious agreement, and at the latest by the Hong Kong Ministerial meeting. The agreement should be comprehensive and result in substantial reductions in trade distorting domestic support, improvements in market access, and an early end date to export subsidies. Member Governments called for trade rules to be respected. The Committee directed the Secretariat to highlight to the WTO the need to make urgent progress given the critical importance that agriculture, and notably cotton, plays in the economies of developing, and especially least developed, countries.

The Committee acknowledged the Sectoral Initiative on Cotton from the four African countries of Benin, Burkina Faso, Chad, and Mali and the importance of the Initiative in raising the profile of cotton. The Committee strongly supported the trade and development aspects of the WTO Initiative on Cotton and noted that substantive progress on both is imperative for a successful meeting in Hong Kong. The Committee welcomed the work already done by WTO members to provide additional development assistance and encouraged the WTO, with support from the

ICAC, to continue to promote this aspect of the initiative. However, member Governments emphasized the need to urgently address the trade aspects of the Initiative, as these are a necessary complement to open markets.

Member Governments welcomed the work done by the ICAC Working Group on Government Measures and called for it to continue its work and through the Secretariat to continue to raise the concerns of ICAC with the WTO.

3. Standardization of Instrument Testing: The Committee affirmed that the world cotton trading system could function more efficiently and affordably with standardized quality evaluation systems and trade rules. The Committee received a report from its Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC). The purpose of the CSITC is to improve the competitiveness of the world cotton industry by encouraging widespread use of high-quality instrument testing systems within a standardized international testing system. The Task Force reported that it is developing a system of evaluating the performance of cotton testing centers around the world through CSITC Round Trials. The Committee noted the concerns of developing countries about the cost of testing instruments and the implementation of instrument testing systems, and instructed the CSITC to consider ways that costs could be reduced. The Committee agrees that implementation must be gradual. The Committee expressed its appreciation to members of the Task Force on CSITC for their service to the cotton industry and authorized continued operation of the Task Force on CSITC.

4. Standardization of Trade Rules: The Committee encouraged the universal adoption of a common set of trade rules and contract terms that reflect the customs and usage of the international trade in cotton. Common rules will benefit both buyers and sellers by promoting a sound cotton economy through efficiency in trade and equitable resolution of contract disputes. The Committee was informed that a majority of cotton is now traded under the rules of the International Cotton Association (ICA). There was agreement that the cotton industry is responsible for conducting educational efforts to ensure that all cotton industry participants are aware of the rules governing international trade in cotton.

5. Enhancing Demand for Cotton: Representatives of the International Forum for Cotton Promotion (IFCP) reviewed the work of the IFCP and encouraged additional organizations to begin demand enhancement efforts. A new program called CottonSponsor that enables the private sector to support the IFCP was introduced.

6. African Cotton and the International Community: The Committee heard from representatives of the African cotton sector and learned that while there has been progress in expanding production in Africa, challenges remain. African producers called for an end to government measures that distort cotton production and trade. It was noted that development policies must be tailored to specific circumstances, that governments must protect farmers through a sound regulatory framework with safeguards to prevent exploitation of small-holders. The Committee learned that biotech cotton varieties specific to the agronomic conditions of African countries must be developed and tested prior to adoption. The Committee heard that African countries must have strong quality standards, that small-holders need to be mobilized into viable groups for better provision of inputs, credit and extension services, and that development of textile and garment production could help to increase farm prices.

7. Cotton is a Priority for Health and Environmental Concerns: the Committee was informed that cotton is a celebrated success story for many developing countries, providing livelihoods for millions of people, contributing to food security and helping to support rural infrastructure. Cotton is also a priority commodity for health and environmental concerns due to impacts on human health, ecosystems and resources. The Committee heard of efforts to encourage the adoption of Integrated Pest Management (IPM) and Better or Best Management Practices (BMPs) that enable producers to improve resource use, enhance environmental outcomes, reduce waste, assure market access and strengthen relations with local stakeholders. It was noted that the Australian cotton industry has had a voluntary BMP program in place since 1997 that has led to declines in pesticide use, improved storm water management, and improved farm management. A key element of the development of BMPs is to base recommendations on best science, and governments were encouraged to identify research results appropriate to BMPs in their countries and to encourage their adoption.

8. The Committee on Cotton Production Research organized a technical seminar on the topic, **"Rapid Instrument Testing: Opportunities for Breeders and other Segments of the Industry and the Need for Uniform Definitions."** There is broad agreement on the need for accurate measurements of fiber quality that can be obtained quickly. It was noted that the benefits of improved measurement of fiber quality can be achieved only if breeders, farmers, ginners, classers, merchants and spinners test and report fiber quality in the same way using standard definitions. The U.S. cotton classing system provides a model for a global system. However, geographic dispersion, structural variations in cotton industries, variations in

production and marketing systems create barriers to the development of one system throughout the world. It was suggested that countries develop individual national programs where possible, and that regional or multi-country testing centers should be developed to serve consortiums of smaller countries.

The Committee received a report on preparations for the World Cotton Research Conference-4 (WCRC-4) to be held in Lubbock, Texas, USA from September 10-14, 2007. Participation in the WCRC-4 is expected to exceed 600 scientists.

The Committee on Cotton Production Research of the ICAC decided to hold the 2006 Technical Seminar on the topic of "Improving Sustainability: Biotechnology and Crop Management."

9. The Committee received a report from its **Private Sector Advisory Panel**. The PSAP reported that they had reviewed a draft strategic plan for the ICAC that had been prepared by the executive director. The draft identified five challenges facing the cotton industry, including the need to develop sustainable production systems, the need to encourage increased demand, the need to encourage instrument testing of cotton, the need to reduce government measures that distort production and trade, and the need to encourage good trade practices. In addition, the draft strategic plan identified the membership of China (Mainland) as a critical issue for the Committee. The PSAP worked with the executive director to identify strategies and performance criteria to address each challenge. The PSAP recommended that the Standing Committee approve the draft strategic plan as a basis for the work plan of the Secretariat.

10. The Committee welcomed the statement made by the **European Union** and its member states that the European Commission expects to complete the process of becoming a member of the ICAC during 2006. The Committee also welcomed the Government of **Nigeria** as a member.

11. The ICAC expressed its appreciation to the **Common Fund for Commodities (CFC)** for supporting commodity development and acknowledged the benefits to the cotton industry of projects financed by the CFC. Since the Fund became fully operational in 1991, a total of sixteen cotton projects have been approved involving over \$22 million in grants and loans from the CFC.

12. The Committee thanked the Government and cotton industry of the **United Kingdom** for their hospitality and generosity in serving as host of the 64th Plenary Meeting. The efforts of the Secretariat and Organizing Committee in preparing for the meeting were much appreciated. The Committee accepted an invitation from the Government of **Brazil** to host the 65th Plenary Meeting in the city of Goiania during September 11-15, 2006. The theme will be: Improving the Social and Environmental Impacts of Cotton Production and Use. Invitations to host the 66th Plenary Meeting in **Turkey** in 2007 and the 67th Plenary Meeting in **Burkina Faso** in 2008 have also been accepted. The Committee is gratified to note that invitations to host future plenary meetings have also been received from Pakistan, South Africa and Tanzania.

MEMBER GOVERNMENTS

Argentina, Australia, Belgium, Brazil, Burkina Faso, Cameroon, Chad, China (Taiwan), Colombia, Côte d'Ivoire, Egypt, Finland, France, Germany, Greece, India, Iran, Israel, Italy, Republic of Korea, Mali, Netherlands, Nigeria, Pakistan, Paraguay, Philippines, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United Kingdom, United States of America, Uzbekistan, Zimbabwe.

ANNEX I
SUPPLY AND DISTRIBUTION OF COTTON
September 29, 2005

Years Beginning August 1

	2001	2002	2003	2004 Est.	2005 Proj.	2006 Proj.
Million Metric Tons						
BEGINNING STOCKS						
WORLD TOTAL	9.953	10.771	8.661	8.089	10.42	11.31
CHINA (MAINLAND)	3.234	2.881	1.816	1.728	1.24	1.29
USA	1.307	1.622	1.172	0.763	1.42	1.87
NET EXPORTERS	3.623	4.222	3.555	3.223	4.48	4.77
NET IMPORTERS 1/	6.330	6.549	5.106	4.866	5.94	6.55
PRODUCTION						
WORLD TOTAL	21.490	19.298	20.698	26.231	24.96	25.23
CHINA (MAINLAND)	5.324	4.916	4.871	6.320	5.82	6.14
USA	4.420	3.747	3.975	5.062	4.85	4.35
INDIA	2.686	2.312	3.009	4.131	4.25	4.34
PAKISTAN	1.783	1.736	1.708	2.482	2.31	2.33
BRAZIL	0.766	0.848	1.309	1.286	1.21	1.33
UZBEKISTAN	1.055	1.022	0.893	1.134	1.10	1.03
OTHERS	5.455	4.718	4.933	5.815	5.43	5.71
CONSUMPTION						
WORLD TOTAL	20.305	21.235	21.325	23.396	24.06	24.75
CHINA (MAINLAND)	5.700	6.500	6.850	8.200	8.60	9.03
INDIA	2.910	2.914	3.000	3.300	3.60	3.78
PAKISTAN	1.855	2.042	2.100	2.300	2.42	2.54
EU, C. EUR. & TURKEY	2.430	2.399	2.249	2.320	2.27	2.25
EAST ASIA & AUSTRALIA	2.127	2.075	1.905	1.939	1.87	1.85
USA	1.676	1.583	1.413	1.364	1.30	1.23
BRAZIL	0.830	0.800	0.875	0.935	0.90	0.90
CIS	0.671	0.674	0.686	0.665	0.71	0.74
OTHERS	2.106	2.248	2.246	2.373	2.40	2.44
EXPORTS						
WORLD TOTAL	6.448	6.675	7.255	7.717	8.15	8.23
USA	2.395	2.591	2.996	3.113	3.11	3.03
CFA ZONE	0.756	0.815	1.072	0.946	1.09	1.12
UZBEKISTAN	0.810	0.798	0.644	0.850	0.84	0.76
AUSTRALIA	0.662	0.575	0.470	0.441	0.56	0.65
BRAZIL	0.147	0.107	0.210	0.360	0.43	0.50
GREECE	0.250	0.280	0.300	0.263	0.27	0.22
CHINA (MAINLAND)	0.074	0.164	0.038	0.007	0.01	0.01
IMPORTS						
WORLD TOTAL	6.229	6.538	7.292	7.149	8.15	8.23
EAST ASIA & AUSTRALIA	2.143	2.027	1.722	2.014	1.81	1.79
EU, C. EUR. & TURKEY	1.597	1.396	1.236	1.416	1.38	1.35
CIS	0.329	0.348	0.313	0.346	0.33	0.32
SOUTH AMERICA	0.216	0.328	0.303	0.231	0.24	0.22
CHINA (MAINLAND)	0.098	0.682	1.929	1.394	2.85	2.95
TRADE IMBALANCE 2/	-0.220	-0.138	0.037	-0.568	0.00	0.00
STOCKS ADJUSTMENT 3/	-0.148	-0.036	0.018	0.060	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	10.771	8.661	8.089	10.415	11.31	11.79
CHINA (MAINLAND)	2.881	1.816	1.728	1.236	1.29	1.34
USA	1.622	1.172	0.763	1.415	1.87	1.96
NET EXPORTERS	4.222	3.555	3.223	4.476	4.77	4.86
NET IMPORTERS 1/	6.549	5.106	4.866	5.939	6.55	6.94
ENDING STOCKS/USE 4/	0.54	0.50	0.57	0.70	0.83	0.85
COTLOOK A INDEX 5/	41.80	55.40	68.30	52.20	59*	57*

1/ Includes Argentina, China (Mainland), Colombia, India, Mexico, Pakistan, Turkey and traditional importers.

2/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports.

3/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

4/ World-less-China (Mainland) ending stocks minus China net exports, quantity divided by world-less-China consumption.

5/ U.S. Cents per pound. The projections for 2005/06 and 2006/07 are based on net China (Mainland) trade and world-less-China (Mainland) ending stocks-to-use ratio.

*/ 95% confidence interval extends 12 cents above and below the point estimate.