



INTERNATIONAL COTTON ADVISORY COMMITTEE

Private Sector Advisory Panel
Charleston, SC

PSAP- 2
October 26, 1999

Private Sector Advisory Panel Report to the 58th Plenary Meeting

The private sector acknowledges the significant import of the ICAC and urges that it develop a strategic plan to assist the individual segments of the cotton industry in the developing and industrialized nations to improve their efficiency and profitability and thereby enhance the net income of the world's cotton producers and to provide its consumers with an environmentally beneficial, competitively priced, comfortable and care free product.

To accomplish these ends the limited resources of the Committee can and should be expanded in order to conserve the limited resources of member governments and to maximize the focus of the Standing Committee to that of addressing the issues facing cotton and formulating goals and objectives to expand the world-wide consumption of cotton.

Given the potential for improving the effectiveness of the ICAC, the PSAP recommends the consideration of the following strategic agenda:

1. **Financial Support for ICAC** - The PSAP urges the Standing Committee to authorize the Secretariat to explore revenue opportunities that comport with guidelines established by the Standing Committee including fees derived from information and trade booths, registration fees, web site links, publications, seminars, and informational materials. These additional revenues should be utilized to broaden the scope of the functions undertaken by the Secretariat.

Further, the PSAP urges the staff of the Secretariat to immediately develop a business plan to implement these recommendations.

2. **Possible Infrastructure Projects Which Could be Supported by the ICAC in Seeking Common Fund Support** - The Common Fund must also be utilized for resources essential to the development of a modern infrastructure in each cotton producing nation to enable cotton to move with cost efficiencies from the field to the consuming textile mills while protecting the interest of the producer and maintaining the integrity of the cotton. This requires that:
 - a. In each developing nation or geographical cotton producing region, understanding the practical limitations within the producing regions, strive to classify cotton pursuant to new international standards and classification methods.
 - b. Upon classification, each bale is assigned a permanent bale identification and/or warehouse number to preserve the integrity of the bale's unique classification and identity for valuation, sale, and consumption.
 - c. Establish an infrastructure of warehouses to protect cotton from the elements. To facilitate the prompt movement of cotton into the channels of trade, locate the warehouses adjacent to adequate roads or rail lines.
 - d. Develop a uniform and universally accepted negotiable warehouse receipt system to facilitate the prompt sale and movement of cotton, and to enhance the value, security, and beneficial collateralization of cotton, which can help risk management.

3. Information/Education - Limited government resources and trade agreements are resulting in minimal government assistance for cotton producers. This has severely impacted the developing nations causing significant reductions in production that in turn has adversely impacted the economies of the producing region of these nations. Further, the current world economy has seen a reduction in cotton consumption, which in the face of increased cotton stocks and an over-capacity of synthetic fiber consumption, has resulted in lower prices and a loss of markets to synthetic fibers. Further, there is reason to believe that the various governments of the cotton producing nations will continue to reduce their financial support for the agricultural sector.

a. Risk Management Education

Given these circumstances, it is incumbent on the various governments to embark upon an education program for cotton producers and cooperatives regarding the use of modern risk management alternatives.

It is appropriate that the ICAC is charged with this educational challenge and through the cooperation of established commodity exchanges, financial institutions, and commodity brokerage houses this mission can be accomplished.

b. Trade Practice Education

It is imperative that the ICAC, in cooperation with existing international organizations, educate the world cotton community of the benefit of fair trade practices through the adoption of universally accepted trade rules and an enforceable arbitration structure.

c. Quality Education

The producing nations, through the expanded educational role of the ICAC, must collaborate with the world textile industry and cotton trade on the development of new seed varieties, cultivation, harvesting, ginning methods, bale size and packaging to assure the delivery of a diverse variety of acceptable qualities which will allow the mills to efficiently manufacture quality yarns and textile products. The issues of concern to the textile mills of neps, short fiber content, and in particular stickiness and contamination must be addressed on a wide scale to encourage the expanded use of cotton by textile mills. The highest priority must be assigned to accommodate the changing quality needs of the consuming textile manufacturers.

d. Environmental Education

The use of cotton in the developed nations faces potential resistance due to increasing and well-orchestrated environmental concerns over the use of biotechnology to develop insect resistant seeds and the utilization of chemicals and pesticides in the cultivation of agricultural products. While the current focus is on food products, this has already impacted the use of cottonseed oil, meal, and cakes in the European Union and could effect cotton yarn and finished textile products.

This issue must be addressed to appropriately educate and inform our governments and assure the consuming public that there are significant benefits to consumers from the adoption of biotechnology, for example, decreased pesticide use. The public must be assured that cotton is an environmentally friendly product which in its planting,

cultivation, and processing every precaution is taken to protect the land and water resources in the producing nation and the health and safety of farm and textile workers and the consuming public.

The ICAC strategic plan should include the following issues:

4. Research & Promotion

- a. We recommend that as soon as possible the Plenary Meeting be combined with the Research Conference. This will serve to expand interest and participation in the affairs of the ICAC and provide a great opportunity for revenue potential.
- b. Urge all cotton producing, manufacturing, and consuming nations to develop cotton promotion programs. Developing nations hold the best potential for the increased use of cotton. What is lacking is demand, which can be created by developing promotion programs suited to the limited resources and media services in these countries. The growth in demand can and should encourage the establishment of textile manufactures within these countries or regions with self-sufficiency through the domestic consumption of cotton being the desired end for each cotton-producing nation. It is essential that such an effort begin with the understanding that this would be a realistic first step and not an attempt to imitate the developed countries, particularly the United States who has over the last 40 years developed sophisticated advertising and promotion programs through Cotton Incorporated and Cotton Council International.

5. Role of Government

Urge that government's work towards the elimination of all practices and programs, which distort cotton production and/or trade.