



INTERNATIONAL COTTON ADVISORY COMMITTEE

Private Sector Advisory Panel
Washington, DC

PSAP-1
June 8, 1999

Private Sector Advisory Panel Report to the Standing Committee

Premise & Preface

The 56th Plenary Meeting of the International Cotton Advisory Committee (ICAC) appointed a Working Group to discuss with the private sector of the world cotton industry an appropriate role for it to assume in furtherance of improving and/or assisting the ICAC in accomplishing its objectives. The private sector, through its respective government representatives, expressed a strong interest to become involved in an effort to strengthen the role of ICAC, make it a more effective voice for the world cotton industry, and to improve its financial structure. The 57th Plenary Meeting refined and adopted recommendations of the Working Group and thereafter, the Standing Committee established the Private Sector Advisory Panel (PSAP). The PSAP members view their mission as follows:

- The private sector acknowledges the significant import of the ICAC and its under-utilized potential 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.
- The private sector recognizes that 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 the cotton industry and thereby minimize involvement in management and budget issues which are best left to the professional staff of the Secretariat.
- The potential for private sector participation is directly related to the opportunity for participation in the process of making the ICAC a more meaningful forum for the presentation of views, develop partnerships, the exchange of information, and the formulation of goals and objectives that could expand the world-wide consumption of cotton.
- The Private Sector Advisory Panel recommends that the Standing Committee Representative from each member country communicate regularly with the recognized and representative cotton industry organizations of their home country on the issues which come before the Standing Committee to assure open and continuous channels of communication between member governments and their private sectors.

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

- **PSAP Term of Service** - The term of service of the inaugural panel should be extended by one year to assure initial continuity in the development of its agenda and to assure that its recommendations are properly addressed and accomplished.¹
- **Plenary Format & Agenda** - The US Host Committee for the 58th Plenary Meeting, in Charleston, South Carolina in 1999, has addressed many of the concerns expressed over the years by government officials and members of the private sector with the format of plenary meetings.

¹ ICAC Executive Director, Terry P. Townsend, in his April 15th letter to PSAC members stated that though "a regular change over in Panel membership is expected ... I further expect that as the Panel gains in institutional experience and recognition over the next several years, the Standing Committee and Plenary will increasingly look to Panel members for guidance."

Comporting with an initial recommendation of the Private Sector Working Group, the agenda will feature essential issues of concern to the various segments of the cotton industry.²

To attract attendance at and maximize interest in the plenary meeting the consideration of government and/or administrative issue will be minimized. The 1999 plenary meeting format will require the advanced submission of country statements which will be published and made available at the meeting. A specific time will be set aside to present country statements, and government representatives desiring to present such statements at the plenary will be limited to a maximum of five minutes. Further, the meetings will be conducted in an orderly fashion, discussion will be limited, and delegations will be encourage to develop a consensus within a reasonable time.

- **Financial Support for ICAC** - The PSAP endorses an initial recommendation of the Private Sector Working Group that “the ICAC should also consider authorizing insurance carriers, banking institutions, foundations, futures brokerage houses, financial institutions, and computer software vendors to sponsor seminars in cotton producing countries on crop insurance, risk management, producer financing, and production cost management. These ICAC supervised educational ventures would be without costs to the ICAC and contracts could be negotiated to derive a percentage commission from any business generated by these symposia.” Further, it was also recommended that “the staff of the ICAC Secretariat should explore all possible ways and means to exploit revenue opportunities with all of the private sector representatives with whom they interface on a regular basis.” Further, the income generated from such activities shall be utilized to supplement the funding of activities undertaken by the Secretariat, rather than being utilized to reduce the assessments of member governments.

The PSAP recommends that the staff of the Secretariat immediately develop a business plan to implement these recommendations, including an appropriate registration fee for all private sector representatives attending plenary meetings.

- **Redefining Mission of ICAC & Strategic Issues Critical to Long Term Growth of Cotton Industry** - The focus of the ICAC must enlarge to address the challenges presented to the world cotton industry in the new millennium. A strategic plan must be adopted to address the following issues:
 - **Research & Promotion**
 - Continue on an expanded basis the World Research Conferences. The success of the 1994 Brisbane and 1998 Athens Conferences should be built upon for the forthcoming 2002 Conference in South Africa. Further, we strongly urge that the plenary meetings be combined with the Research Conferences. This will serve to expand interest and participation in the affairs of the ICAC and provide a great opportunity for revenue potential.
 - Develop with the Common Fund cotton promotion programs for the developing cotton nations. These countries 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

² “The plenary meeting should be a forum designed to address the challenges of competitiveness, the environment, reducing the cost of production, minimizing the use of chemicals on the land, expanding markets through promotion, financing production in developing and industrialized nations, the requirements of the textile manufacturer, consumer preferences, harvesting and ginning developments, crop insurance, trade rules, contract compliance, arbitration procedures & dispute resolution, transportation infrastructure improvements, and other issues that are critical to maintaining cotton as the fiber of preference by mills and consumers.”

has over the last 40 years developed sophisticated advertising and promotion programs through Cotton Incorporated and Cotton Council International.

- **Infrastructure Development**

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:

- In each developing nation, understanding the practical limitations within the producing regions, strive to classify cotton pursuant to new international standards and classification methods.
- Upon classification, each bale be 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.
- 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.
- Develop a uniform and universally accepted negotiable warehouse receipt system to facilitate the prompt sale and movement of cotton.

- **Risk Management 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 which 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.

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.

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

- **Education & Trade Practices**

The ICAC should foster the education of the world cotton community in the benefit of fair trade practices.

- **Producing Quality Cotton for Textile Mills & End User**

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, and 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, 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.

- **Environmental Concerns**

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 inform and assure the consuming public 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 adoption of this strategic agenda will engage the staff of the Secretariat with its member nations and their private sectors to assure the long-term growth of the world's cotton industry.