



74th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES FOURTH BREAKOUT SESSION

Best Practices in Cotton Statistics

10:30 hr. Wednesday, December 9, 2015

Chair: O.M. Prabhakaran, Joint Textile Commissioner (Cotton), Ministry of Textile, India.

Speakers:

Ms. Rebecca Pandolph, Statistician, ICAC

Mr. B.K. Mishra, Chairman, Cotton Corporation of India

Dr. M. Talpur, Director, Marketing and Economic Research, Pakistan Central Cotton Committee.

Mr. James Johnson, Agricultural Economist, Foreign Agricultural Service, U.S. Department of Agriculture.

Statistics Are the Foundation of Decision Making

The provision of statistics on world cotton production, area, yield, imports, exports, mill use and stocks is the core function of the ICAC Secretariat, and the Secretariat has provided statistics since its formation in 1946. Currently, statistics provided by the ICAC include world cotton supply and use by country and region, exports by destination and imports by origin, cotton yarn and woven cotton fabric production, exports and imports, prices as reported in Cotton Outlook and the International Commodity Exchange, and price premiums, discounts and basis charts, fiber consumption for non-cellulosic, cellulosic and natural fibers, and consumption per capita at the retail level, estimates of spending on government measures that affect cotton production and trade, and forecasts of season averages of the Cotlook A Index based on estimates of cotton ending stocks to use in China, outside China and net trade by China. The Secretariat does not provide statistics on cotton seed or cotton by-products such as oil, seeds and gin material.

Estimates of world cotton supply and use are disciplined by the accounting identity: Ending stocks = Beginning Stocks + Production – Disappearance.

At the country level, Ending Stocks = (Beginning Stocks + Production + Imports) – (Domestic Disappearance + Exports).

If estimates of individual elements in the supply and use equation do not result in an identity, additional research to reconcile competing estimates must be completed and adjustments made.

In any cotton season, World Exports = World Imports. In reality, small differences between imports and exports develop because of changes in bale weight between ginning and use, differences in reporting periods and errors in statistics.

The ratio of Ending Stocks/Disappearance is an important indicator of the relative tightness of stocks to mill use of cotton. Consequently, the ICAC Secretariat invests much effort in collecting accurate data on stocks as of July 31 each year. If ending stocks are treated as a residual and never reconciled via an actual census of stocks in textile mills and warehouses, cumulative errors can be highly misleading.

International cotton statistics reported by ICAC and USDA are normalized to an August/July cotton season using monthly data on mill use and trade to adjust data from countries using different cotton seasons.

The ICAC relies on coordinating agencies, national organizations, international organizations such as The World Bank, FAO and the UN, trade publications, such as Cotton Outlook, government reports, business contacts and researchers in gathering statistics. While the ICAC Secretariat receives information from government agencies,

the Secretariat has a tradition of independence and takes great pride in publishing objective estimates of world cotton supply and use without deference to the political objectives or agency biases of its members. Governments have recognized for decades that the value of statistical estimates from the Secretariat are enhanced by the publication of unbiased estimates, and that requiring the Secretariat to publish only official statistics would result in delay, would institutionalize inaccuracy and would undermine the value of Secretariat analysis.

Information on world and national weather patterns and economic developments are implicitly included in ICAC Secretariat estimates of cotton area, yield and production and consumption and trade, but the ICAC is not a weather or macroeconomic forecasting agency.

Like the ICAC Secretariat, India and Pakistan follow the accounting identity in which Ending Stocks = (Beginning Stocks + Production + Imports) – (Domestic Disappearance + Exports). However, most countries treat estimates of ending stocks as a residual and only reconcile estimates of supply and use when the resulting calculation of ending stocks is highly improbable.

Data on cotton area, yield and production in India are provided by both national and state agencies. Area and production are estimated based on a survey methodology dating back to the colonial period in which thousands of measurements of cotton plants per meter, cotton bolls per plant and grams per boll are collected from a stratified random sample of fields across India four times a year. India is experimenting with remote sensing technology to estimate area and production. Unfortunately, cotton gins in India are not required to report actual cotton production.

Use of cotton in India by organized textile mills, loose mill consumption and non-mill consumption is estimated based on reports provided to the Textile Commissioner's Office, Ministry of Textiles. Import and export data are received from the Ministry of Commerce and Industry.

In Pakistan, trade data are provided by the customs service, and production is estimated from a combination of objective and subjective surveys at the state and village levels. Objective yield surveys are conducted periodically. Consumption is estimated from data on capacity, capacity utilization and extrapolations from estimates of mill use in prior years. As in India, gins are not required to report production, but the Pakistan Central Cotton Committee collects data from farmers about prices received.

Data provided by the U.S. Department of Agriculture are used by almost all actors in the cotton value chain. USDA has a reputation for objective, non-political, official, timely, accurate, published statistics. Estimates of production, consumption and stocks in the United States are reconciled with actual bale counts conducted by the National Agricultural Statistics Service and the Department of Commerce. USDA estimates of international cotton area, yield, production, consumption, trade and stocks are based primarily on reports provided from U.S. embassies around the world based on analysis of national data by embassy personnel, augmented by analysis in Washington by experienced analysts.

Statistics are the foundation on which good decisions are made, and all countries are encouraged to devote sufficient resources to ensure the provision of accurate, timely statistics.