



74th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES FIRST PLENARY SESSION (A) Statements

14:15 hr. Monday, December 7, 2015
Dr. Kavita Gupta in the Chair

The delegate of **Pakistan** stated that Pakistan is the fourth largest producer and third largest consumer of cotton, as well as being second largest exporter of cotton yarn in the world. Cotton contributes about 1.4% to its GDP and is 6.9% of total value addition in agriculture. About 1.3 million farmers grow cotton on around 3.1 million hectares. In 2014/15 Pakistan produced 13.98 million 170-kg bales and in 2015/16, 15.4 million 170-kg bales, which is consumed largely in the domestic market by 521 textile mills with up to one million bales exported annually. Currently no restrictions exist on importing or exporting cotton. The delegate explained that the prevalence of viral disease, particularly the cotton leaf curl virus, and sucking pests causes damage to Pakistan's cotton crop and has the potential to spread to neighboring countries. The delegate noted that the Pakistan Central Cotton Committee released new Bt varieties and has aided the cotton sector and its stakeholders by disseminating data, documenting cotton trade, price and policies, and providing technical support for planning national cotton policy. The planning and coordination of cotton research and development programs are being strengthened in order to improve yield, develop new varieties of cotton seed that are more disease-resistant, and promote cultivation of biotech cotton. Pakistan's future cotton policy takes into account a number of strategies, such as germplasm improvements, development of hybrid cotton and cultivation of organic cotton, particularly in the fertile and pest-free lands of Baluchistan. The government is encouraging multinational and national technology providers to introduce the latest effective insect protection technology.

The delegate of **Burkina Faso** stated that, among the many discussions to take place during this plenary meeting, the challenge with regard to suitable technological changes for improving competitiveness along the entire cotton value chain should be highlighted. The cotton sector is an important source of income and employment for Burkina Faso's rural population, but it also ensures food security and is a source of income for the national budget. Like other countries in West and Central Africa, Burkina Faso's cotton sector is fragile due to exchange rate fluctuations and frequent exogenous shocks from policies that distort trade. The delegate explained that, in addition to domestic reforms that cotton stakeholders are carrying out to improve its competitiveness, the sector is also benefiting from support from its government and development partners.

The delegate noted that its country report containing details of the performance of its cotton sector and the challenges it faces. The delegate also noted that the current plenary is taking place during a period of two other important international events that are important to the cotton value chain, the 21st conference of the parties on climate change in Paris and the 10th ministerial conference of the WTO during which progress will hopefully be made.

The delegate of **Uzbekistan** stated that agriculture's share of domestic GDP has declined from 30% in 2000 to 17%, which indicates the structural changes as the country transitions from an agrarian economy to an industrial one. Uzbekistan's current policy for the cotton sector is focused on creating a competitive trade environment and maintaining current cotton output of around one million tons from 98 ginneries, which cover the needs of the domestic textile industry as well as some exports. The delegate noted that, since 2001, all bales are tested for quality by Sifat, an independent center for certification and quality control of cotton fiber, in labs equipped with HVI machines. The delegate stated that new irrigation infrastructure, better farm management, the development by its research institute of new high-yielding and early-maturing varieties and the modernization of its ginneries all contribute to the high quality of Uzbek cotton. The delegate brought attention to one new upland variety, "Porlock", which is characterized by high yields and fiber strength.

International and domestic shipment of cotton goes through 21 specialized terminals, including 5 custom warehouses that are "free customs warehouses", and transport corridors that ensure timely delivery to all consumers. In order to promote foreign investment and greater efficiency, the country's cotton sector has

transitioned from an administrative-command management to corporate management, which is represented by the holding company Uzbek cotton industry export, comprising four joint-stock companies. The main tasks of these companies in the near future will be to improve the system for releasing high demand cotton varieties to the world market, increase the share of machine-harvested cotton to 80 percent, decrease contamination by improving processing systems, add new presses to factories, promote the gradual modernization of Sifat, and create a centralized electronic database that would track the production and movement of cotton in order to ensure timely selection and acceptance of cotton lots. The delegate invited all attendees of the Plenary Meeting to the Tashkent fair in October 2016.

The delegate of the **United States** noted that production in 2015/16 is 13.3 million 480-lb bales, which is lower than in 2014/15 and than its 5-year average production. The yield in 2015/16 is lower than the 5-year average and harvest area is 13 percent below the previous year due to the higher prices of competing crops. Favorable weather conditions in Texas reduced abandonment this year.

Mill use is projected to increase to 3.7 million bales, marking the fourth consecutive year of growth after declining in almost every season since 1997/98. Exports in 2015/16 may reach 10.2 million bales, which is the lowest level since 2000/01. In 2015 cotton policy had shifted to the Stacked Income Protection Plan, which is a new plan specific to upland cotton and addresses its obligations under the WTO cotton case brought by Brazil. This new program provides revenue insurance that pairs with traditional crop insurance and provides intra-seasonal risk coverage, but does not protect against declines in prices between seasons. The 2014 Agricultural Act had eliminated direct and counter-cyclical payment programs and the average crop revenue election program for all major commodities. The delegate further explained that the 2014 Act continues the upland cotton marketing assistance loan program, though the base rate is no longer fixed at 52 cts/lb but ranges from 45 to 52 cts/lb with 52 cts/lb announced as the base loan rate for 2015.

The delegate of **Taiwan** stated that his country depends on cotton imports for all of its needs, importing 249,000 tons of cotton lint in 2013 at a value of US\$441 million and 208,000 tons in 2014 at a value of US\$364 million. The main suppliers of cotton to Taiwan were the USA, which accounted for 40% of the total value of cotton imports in 2014, followed by Brazil with 19% and India with 12%. In 2014, the cotton yarn exports of Taiwan decreased by 6.2% to 128,000 tons. The government has greatly assisted the textile sector over the years to realize the sector's vision of becoming a global R&D and production base for functional and technical textiles, in addition to being a fashion design center for the Asia-Pacific region. Another objective was to shift from a made-in-Taiwan model to one based on designed-in or branded-in Taiwan concepts. The delegate noted that the Taiwan Textile Federation and ICAC have jointly organized five seminars in Taipei since 2005, including one this year that coincided with the Taipei Innovative Textile Application Show. Taiwan is keen to share its development experiences with members of the ICAC.

The delegate of **Sudan** stated that his country has recently adopted several policies for its agricultural and cotton sectors, including among other things, dedicating financial support to the sectors, exempting all export-oriented agricultural products from tax, rationalizing water usage to lower production costs, encouraging banks to provide financing to the cotton sector for purchasing inputs and expanding scale of production, protecting producers and exporters from unfair practices. The five-year economic reform program puts great emphasis on improving cotton production and follows the three-year program from 2012-2014 that aimed to diversify Sudan's economy as the share of oil production declined in 2011. The delegate explained that cotton yields in Sudan have varied greatly, but from 2012 through 2015 had increased from around 450 kg/ha to 950 kg/ha using biotech cotton seeds from China. Sudan will be producing two GE Indian hybrids commercially next year with the hope of increasing production to 882,000 tons on over 1 million hectares by 2019.

The delegate of **Côte d'Ivoire** stated that his country produced 450,000 tons of seed cotton in 2014/15, which was an all-time high, even though the country remains a relatively small producer on a global scale. The delegate noted that around 23,500 tons of cotton lint were exported to Asia. Cote d'Ivoire would like to keep improving and steadily increasing the volume and quality of production and to increase the income of its farmers. The delegate noted that cotton seed production and procurement of inputs remain challenges for its industry, in conjunction with productivity, which averages around 1000kg of seed cotton per hectare. The delegate remarked that producer income should be an encouragement that would lead to greater involvement by producers. Around 60 percent of the CIF price must be given to the farmers, which is determined by Intercoton, although the government may also increase that price in order to promote production. As production has increased over time, quality has fallen since each cotton company has its own standards and this fall in quality has affected the international reputation of Cote

d'Ivoire's cotton. In order to improve the quality of cotton, all cotton classing will be done at one facility starting in 2015/16.

The delegate of **Australia** stated that, while it is not a large cotton producer on a global scale, her country is the fourth largest exporter due to the fact it exports around 99% of its production, with around 98% exported to Asia. As an exporter, Australia operates in intense global competition and must continually improve its productivity, efficiency, quality of its product and environmental sustainability. Research and development were critical for achieving these goals and the Cotton Research and Development Corporation was the main investor in cotton research, development and extension. The CRDC receives contributions from both industry and government and has partnered in over 200 domestic and international research projects. Australia was involved in two initiatives promoting responsible cotton, namely BCI and Cotton LEADS. The delegate explained that Cotton LEADS currently has just two members, Australia and the United States, which have strong legislative and regulatory frameworks for most cotton production. This assures consumers that they are purchasing responsibly produced cotton and provide underlying data to support claims. The delegate cautioned that the emerging textile supply standards that are intended to support continuous improvement in the responsible production and use of cotton run the risk of being non-tariff trade barriers or inherently biased in favor of man-made fibers.

The delegate of **Egypt** noted that there are many challenges to the cotton sector, such as synthetic fibers and low cotton prices both domestically and internationally. In 2014/15, production increased to 110,000 tons with around 50,000 tons exported while the rest was consumed locally. In 2015/16, planted area decreased to around 105,000 hectares due to low producer prices causing losses. Research centers are producing new higher-yielding varieties and two new varieties were added this season, although delays in planting due to late harvests of winter crops had lowered yield. There is a strong push by the government to maintain cotton production from farm to the textile industry, enhance the trademark of Egyptian cotton, and provide protection to workers in the entire cotton sector. Egypt encourages traders, spinners, and foreign investors to look to Egypt as a source of quality cotton and of skilled, trained labor.

The delegate of **Mali** noted that in the current season his country expects to produce around 230,000 tons of cotton lint. Based on national statistics, cotton contributes about 12% to its GDP and is thus a strategic crop for the country. Cotton from Mali had recently been qualified as one of the best-produced cottons, but the country will need to maintain this high standard. Around 99% of production was exported due to the fact that very little cotton is processed locally. As a result, the global cotton market is important for Mali's cotton sector. The delegate noted that the initiative of the world cotton contract which responds to the need for more equity in cotton trade, but was unsure of the conditions for these contracts. The delegate expressed Mali's desire for a better understanding of the conditions of the world cotton contract, which includes five African countries, in order to better assess whether such a contract is beneficial or if Mali will need to fight for greater equity in the international market.

The Secretary General noted that a report on the World Cotton Contract was scheduled to be included in either the upcoming issue of Cotton: Review of the World Situation or in the first issue of 2016.

The delegate of **Mozambique** stated that his country has grown cotton for decades, with record production achieved in 2011/12. Cotton has been and will remain an important production for Mozambique's economy as it remains the 7th largest export commodity in general and 3rd largest among traditional export commodities. The cotton sector ensures rural livelihoods and development through cash incomes for over one million citizens and provides food security. Mozambique's cotton sector is regulated by national policies to protect farmers through a regional concession system that awards private companies exclusive rights to cotton grown in their assigned region in return for promoting cotton production, providing inputs on credit and purchasing seed cotton. The cotton sector is influenced by many factors, such as weather patterns and international market dynamics, which can cause seasonal variations in output that ranges from 25,000 to 35,000 tons in recent seasons and is well-below record production. Production in the current season is forecast at 20,000 tons, well-below initial estimates due to insufficient rains, market inefficiencies, and changes to the exchange rate. A reduction in price volatility would ensure the long-term sustainability of cotton and Mozambique is planning to introduce a price-setting and stabilization mechanism in 2016/17. The delegate remarked that it would like to host the 76th Plenary Meeting of ICAC in 2017, but due to the decline in cotton production is unable to cover the costs without sponsorship.

The delegate of **South Africa** stated that production of cotton lint in the 2015/16 marketing year is around 18,000 tons, which is a 89 percent increase from the previous season due to policies implemented under its Sustainable

Cotton Cluster, which included the introduction of a cheaper cotton stripper technology that increased dryland plantings by 129%. Production was likely to increase in the upcoming season despite drought conditions. In 2014/15 mill use in South Africa and Swaziland decreased by 7% to 20,774 tons due to low-priced imports of textiles and apparel from Asia. The delegate noted that local spinners met about 87% of their demand through cotton lint imports, nearly all from Zambia, Zimbabwe and Malawi. There are three interventions under its Sustainable Cotton Cluster that will positively influence the future of its cotton sector: a cotton stripper harvester that reduces costs; a retail pilot project involving the retailer, Mr Price, that used 1,000 tons of cotton at a predetermined price to manufacture cotton products for the local market; and earmarks by the government to procure local cotton for the manufacture of uniforms and other cotton products for government and semi-government departments.

The delegate of **Poland** noted that many of the topics during this plenary coincide with economic, environmental, and social sustainability of cotton along the entire value chain. The delegate stated that for Poland it is important to be able to procure cotton that is socially, environmentally and economically sustainable, especially to improve its competitiveness against man-made fibers. The delegate asserted that this should not just be focused on this week, but throughout the year. The delegate also noted that ICAC was at an important juncture due to the possible accession of the EU to ICAC and affirmed Poland's strong commitment to work of ICAC.

The delegate of **Zambia** stated that cotton production in his country is mainly done by small-scale farmers under out-grower schemes run by ginners and that production increased by 15% to 48,000 tons in the 2014/15 marketing year, despite unfavorable growing conditions due to an increase in area and yield. Cotton production is mainly affected by international cotton prices and weather and the sector has resolved to improve production with government playing a key role. Several stakeholders, such as the Zambia Cotton Association, have responded to the government's call to increase value-added activities in the cotton sector through spinning and hand looms. There is renewed interest in cotton due to better earnings as a result of currency depreciation, but production is decreasing because cotton still competes with other crops, such as maize, it has low productivity and farmers follow poor agricultural practices. The delegate stated that due to the collapse of the textile industry domestic consumption of cotton remains very small, less than 5% of production, and thus the majority is exported, with Asia and Mauritius being important markets. Research stations continue to look into improving cotton yield and fiber qualities and that Zambia is active in several African cotton organizations: Actif, Seacf, and Mozazima. The delegate stated that Zambia is working on a marketing system through the central bank and ways to disseminate information on best agricultural practices to farmers in a systematic way. The delegate offered thanks to the FAO for supporting implementation of cotton production sustainability through the SEEP framework.

The delegate of **Nigeria** explained that his country installed a new government this past May and that the new government was interested in many of themes of this plenary meeting. Nigeria is looking at the social impact of the cotton sector, since it must diversify its economy from relying on just the oil industry, particularly due to the recent low prices, and considers cotton as an advantageous cash crop to bring people out of poverty. Nigeria will continue its technical exchange with India, which will help improve its cotton, and plans to recover from a significant reduction in its ginneries.

The delegate from **Turkey** stated that the appreciation of the U.S. dollar and the drop in oil prices which lowers polyester prices are challenges to the world cotton sector that persist, as shown by production and consumption remaining below the volume observed before the world economic crisis. During the last decade, cotton has become very important to Turkey's textile sector and the increased demand by textile sector has made Turkey one of the largest importers of cotton, which makes all developments in the world cotton trade vitally important to Turkey. Man-made fiber dominates global fiber and cotton's share of fiber usage has been falling. It is important to increase public awareness of the high quality of cotton, the competitiveness of cotton, and the use of technical textiles to combat cotton's loss of market share among world fibers. Regional integration needs to ensure inclusiveness and, if proponents of regional integration are sincere about increasing global trade, then regional integration needs to lift all barriers to trade, including invisible ones. The upcoming WTO meeting would be a litmus test.

The delegate of **Kenya** noted that the themes of this plenary resonates well with all stakeholders and addresses the important subject of the sustainability of the cotton sector. Kenya's agricultural sector is a backbone to its economy and accounts for around 65 percent of export earnings. The agricultural sector contributes to the livelihood of nearly 80% of the Kenyan population and to its food security. In its Agricultural Sector Development

Strategy for the period 2009 to 2020, cotton is considered one of the most significant industries in which to implement the long term Arid and Semi-Arid Land Development initiatives and industrialization strategies that aim to position the agricultural sector as a key driver for achieving 10% economic growth. The government provides planting seeds, advisory services, and rehabilitation of irrigation schemes to support its many small-scale farmers. To support the ginning sector, the government enacted a 0% rate duty for importing ginning equipment and has also developed an HVI classing facility that paves way for branding Kenyan cotton. In 2009 the Kenyan government approved a framework for planting biotech cotton, but a ban on all GMO materials was instituted in 2012. The government has reversed its ban and momentum has returned to fast-track introduction of transgenic cotton. Kenya has the potential to grow cotton on 350,000 hectares suitable for rain-fed production and 35,000 hectares for irrigated production that should be able to produce around 200,000 tons of seed cotton. This potential has not yet been achieved due to inefficiencies and inadequate irrigation. The government has implemented several measures to improve production and exports, including partnerships with organizations for the purpose of seed bulking with two conventional and four hybrid varieties to be commercialized next year and created export processing zones where over 80% of apparel is produced and over 40,000 Kenyans are employed.

The delegate for **Colombia** noted that cotton area in 2014/15 was the lowest since cotton became a cash crop in the 1970s and the government has implemented a minimum price guarantee policy to avoid the complete disappearance of cotton in Colombia. Local production provides very little cotton to domestic mills, which is reflected in the trade balance as imported cotton is preferred. The loss in cotton production is not due to low productivity, since the average yield in Colombia is good, but instead due to the lack of competitiveness because of high production costs. The delegate noted that cotton cultivation is conducted by smallholder farmers who work on rented lands that are often under one-year contracts and this contributes to the cost of production. The development of national seed varieties is one of main challenges for Colombia and government support has not been as available in recent years. However, Colombia's advantages are the ability to reap two harvests a year and its high quality. The devaluation of its currency is the sole reason that earnings have improved recently. The from 2015-2020, production may continue to decrease gradually, but attention will be focused on improving competitiveness.

The delegate of **Germany** noted that being an importer of cotton lint and textiles, it approaches the cotton sector from the viewpoint of a consumer. This did not mean that Germany's cotton sector is not concerned with the rest of chain, since end consumers are increasingly concerned with all aspects of the cotton value chain. She expressed appreciation on behalf of Germany's cotton sector for the work of SEEP toward a shared definition and framework for producing socially, environmentally and economically sustainable cotton, noting this work is in line with ICAC's work to promote transparency in the global cotton sector. This plenary would be the last meeting for Germany as a member country, since the EU is expected to join ICAC as a member in mid-2016 at the start of the new ICAC fiscal year. Germany hoped the Steering Committee meeting would approve the changes to ICAC's rules and regulations since EU membership would strengthen the organization.

The delegate of **Uganda** stated that cotton is important for alleviating poverty and bringing change to Uganda's economy. Due to the fact that cotton in Uganda is grown by small-scale farmers on rainfed plots, the crop is greatly affected by climate changes, such as the current drought stemming from an El Nino event. The cotton production increased from 2013/14 to 2014/15 due to better mobilization of farmers and greater usage of yield-enhancing inputs. Export earnings decreased from US\$24.5 million to US\$21 million due to lower prices, which also affects producer prices. Domestic consumption increased due to the opening of one additional spinning mill in December 2014. The quality of cotton continues to improve due to training farmers and gins to reduce contamination, better ginning practices that increase staple length and strength, and maintaining membership in the Bremen Cotton Exchange and the International Cotton Association. Uganda's cotton sector benefited from an India technical assistance program providing training sessions on modern cotton production and post-harvesting practices and established a bio-pesticide laboratory. Uganda was open to increasing investment in domestic value addition of cotton lint to help bolster employment opportunities and yields and to contribute to import substitution.

The delegate of **Brazil** noted that his country's cotton sector is going through a difficult phase at this time due to the 40% devaluation of its currency against the US dollar. Although helpful for cotton exports, this has caused significant inflation domestically and hurt cotton consumption along the value chain. Changes in traditional weather patterns had affected cotton production, though it was too early to assess the full impact. Brazil will have a centralized HVI classing system and will check and verify all labs next year to ensure accurate HVI data for all

cotton exports from Brazil. Brazil is the largest producer of BCI cotton and nearly 64% of its exported cotton is covered by BCI. The country plans to have 100% of its cotton exports be BCI cotton in the near future.

The delegate of **Zimbabwe** stated that cotton is a strategic crop grown by over 200,000 smallholder farmers and contributes to rural employment and income, as well being the third largest export crop in terms of earnings after tobacco and sugar. Over 90% of farmers grow cotton by entering into contracts with ginners, who provide seed and fertilizer in return for cotton is sold to a gin regulated by the agricultural authority. Cotton production has been slightly above 100,000 tons of seedcotton over the last 3 years, which is just below its peak in 2011/12. Climate change, limited knowledge of best agronomic practices and availability of financing for inputs are major challenges for the cotton sector in Zimbabwe. Since smallholders are unable to finance cotton production under the contract financing model, the government plans to provide free inputs to farmers over the next three seasons in order to increase area to 250,000 hectares and seedcotton production to 500,000 tons. The delegate noted that prices have been very poor, which discourages production. Mitigating measures are detailed in its country report.

The delegate from **Chad** presented a report on the cotton situation in this country. Cotton has been grown for over the past six decades, is an important socio-economic crop and has contributed significantly to the export earnings of Chad. Since restructuring the cotton sector, in particular COTONTCHAD new company (SN), in January 2012, production has steadily increased from 34,000 tons in 2014, to 57,000 tons in 2015. The goal is to produce 80,000 tons in 2016. The increase in production is the result of an ambitious business plan with the goal of producing 120,000 tons by 2018. The majority of the production is exported, the main destinations being Bangladesh, India, Indonesia, China, Italy, Portugal, and Germany. The delegate noted the need for further discussions on volatility of cotton prices in order to find appropriate solutions to this problem, which have significant consequences for all sectors in the cotton value chain.

The delegate of **India** stated that the textile industry in her country is predominately cotton-based and contributes 12% to India's total industrial production and 4% to its GDP. India emerged as the world's largest producer in 2015/16 with a volume of 6.2 million tons and the majority of cotton production comes from nine states, the production details of which are provided in its country statement. India has the largest area globally planted with cotton, reaching 11.76 million hectares in 2015/16, of which 38% is irrigated and 92% is sown with biotech cotton. India's total supply of cotton (production, beginning stocks, and imports) in 2015/16 was equal to 7.3 million tons, compared with 7.2 million tons in the previous season, and mill use is likely to increase to 5.49 million tons in 2015/16. India maintained that cotton lint was a freely exportable commodity and exports in 2015/16 may reach 1.16 million tons, with Bangladesh and Indonesia as the largest buyers this season, though China had been in this position in recent seasons. In the same way as exports, cotton imports are also freely traded and India's main sources of cotton are Mali, the United States, Australia, Cameroon, Côte d'Ivoire and Egypt. Improving the quality of cotton, ginning, and marketing infrastructure are the areas of concerns for India. While India's national average yield increased from around 300 kg/ha to 570 kg/ha, yields remain below the world average and India hopes to improve this through high density planting. The Indian government implements minimum support price mechanisms in such a way as to reduce distortion, with money going directly to farmers' accounts.