



# INTERNATIONAL COTTON ADVISORY COMMITTEE

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## Minutes

Second Breakout Session: Enhancing Efficiency in the Cotton Value Chain

Chair: Mr. Shan Ali Junejo, Farmer in Sindh Province and Director of the Pakistan Central Cotton Committee

Speakers:

Mr. Peter Wakefield, Wakefield Inspection Services, China, “Paperwork and Efficiency – Do they go hand in hand?”

Ms. Rubina Wasti, Senior Joint Secretary, Ministry of Textile Industry, Islamabad, “Enhancing Efficiency in the Cotton Value Chain (a Pakistani Perspective)”

Mr. Mukammad Masood Akhtar, Coordinator, WWF-Pakistan, “Promoting Resource Efficiency in Pakistan Cotton Ginning Sector.”

### Enhancing Efficiency in the Cotton Value Chain

Mr. Peter Wakefield observed that paperwork linked to the movement of cotton is associated with trade restrictions, including tariffs, quotas, import and export licenses, subsidies, local content requirements, and embargos. Many of these requirements are associated with conformity and pre-shipment requirements, plus inspection and certification procedures on arrival. Each exchange of papers, each required stamp or signature, each face-to-face interaction, creates the opportunity for corruption. There will always be individuals who will be willing to pay to speed up or slow or to facilitate or block. By eliminating the involvement of the human hand, electronic documentation can enhance efficiency and lower costs, and make corruption more difficult.

One document that is required for all cotton shipments is a phytosanitary certificate. On the recommendation of the Private Sector Advisory Panel, the ICAC has been urging countries to adopt the FAO model phytosanitary certificate for trade in cotton since 2009. However, an even more effective reform would be to recognize that phytosanitary practices in each exporting country do not vary from shipment to shipment. Accordingly, individual phytosanitary certificates for each shipment are unnecessary and could be replaced with a “confirmation of compliance” with harmonized standards for fumigation and phytosanitary practices. Thus any shipment originating from a country in compliance with such a harmonized standard would not need an individual piece of paper for each shipment.

In addition to enhancing efficiency by reducing documentation, efficiency can also be enhanced by planning and pre-clearance to reduce idling time upon arrival.

The modern textile industry operates with data on cotton quality provided by High Volume Instruments (HVI) to test strength, length, length uniformity, micronaire and color. National systems of HVI testing 100% of bales in conformance with Standardized Instrument Testing of

Cotton (SITC) procedures, coupled with permanent bale identification tags using bar codes, with quality data stored electronically in a central database, are crucial to efficiency. Countries that persist in the use of parochial systems of classing a percentage of bales and storing data by hand as things have been done for decades and centuries are adding to costs and reducing competitiveness.

Ms. Rubina Wasti noted that the cotton value chain represents a long series of sequential activities. Governments usually focus on improving productivity and efficiency within each activity, but efficiency in the value chain also requires enhancing communication and transportation between each activity. The value of textile exports from Pakistan has stagnated at roughly \$10 billion during the last decade because of a combination of weak demand and a lack of competitiveness.

The Government of Pakistan is taking steps to enhance efficiency in the cotton value chain. The Government has developed a Textile Policy 2014-19 which includes better data dissemination and coordination among banks and customs authorities, training of farmers, establishing a ginners institute, improving planting seed quality, use of biotechnology, reduction of various taxes and provision of long term financing for technology investments. The government is encouraging environmentally friendly cotton production and strengthening regulation of chemicals, and encouraging adoption of a worker training program. The government is working with farmers, ginners, spinners, manufacturers and trade bodies to enhance communication and coordination.

Mr. Mukammad Masood Akhtar reported on efforts by the World Wildlife Fund to encourage sustainable ginning practices in Pakistan. Core areas of action include improving the capacity of gins to source Better Cotton (Cotton produced within the Better Cotton Initiative), improving the engineering efficiency of gins and to improve the working conditions within gins. He reported that 228 gins in Pakistan are participating in the program as of 2016. A list of top 10 better ginning practices includes: leakage rectification of suction and delivery ducts, replacement/repair of suction fans, installation of a conveyor for overflow of seed cotton, installation of a conveyor after beater for seed cotton, replacement of saws, relocation of delivery fan-bend remove, replacement of space blocks and ribs, improvement in power factor plant, and replacement of loose belts, bearings and worn shafts. Each investment costs between PKR100,000 and PKR950,000 (US\$1,000 and US\$9,500) and payback periods range from 20 days to 150 days. Gins participating in the program saw savings in electricity and increases in productivity per hour and production each season. Participating ginners also achieved improved workplace safety. During 2015/16, production by Better Cotton Ginners amounted to 143,000 tons of lint.

Following the three presentations, the Chair invited questions and comments.

A participant in the Breakout Session noted that a brochure distributed by WWF in its trade booth at this plenary meeting (Better Cotton Projects of WWF-Pakistan) contains assertions about cotton production practices that range from mildly exaggerated to egregiously inaccurate. The brochure overstates insecticide and pesticide use in cotton production by factors of approximately 100%. The brochure alleges that crop protection chemicals are persistent in the food chain and are absorbed in human bodies, which is not true. And, the brochure overstates the amount of chemical used to produce a cotton t-shirt by a factor of more than 100 (more than 10,000%). It was noted that errors of these magnitudes undermine the credibility of WWF-Pakistan, and it was asked why any of the statistics included in the presentation should be believed. A representative of WWF-Pakistan sitting in the audience of the Breakout Session said that the statistics had “come from Germany,” and he pledged to investigate the sources for those statements. There was broad agreement that relevant metrics and accurate statistics should be used in evaluating the sustainability of cotton production.

A spinner in the Breakout Session asked what can be done to enhance demand for cotton products. Ms. Wasti urged a multi-pronged approach to enhance productivity and efficiency, improve the sustainability of production practices, and to provide training to stakeholders.

Another spinner asked for more information about the Better Ginning Program (BGP). He asked for clarification on what mechanical improvements are possible in cotton gins under the BGP, and he asked why roller gins are not used in Pakistan.

Mr. Akhtar explained that the Better Ginning Program is part of the Better Cotton Initiative. Better Ginning includes reducing energy use, improving mechanical efficiency, and improving working conditions.

A ginner in the Breakout Session said that roller ginning is primarily used on Extra Long Staple cotton, not upland varieties like those grown in Pakistan. He said that the choice of ginning technology is a complex technical question that involves issues associated with trash and contamination content of the seed cotton, length and character of cotton lint, knowledge of ginners, the marketing system into which cotton will be sold, and other issues. Roller ginning has been tried in Pakistan, but the experiments were not successful.

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