



# 75<sup>th</sup> Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

## MINUTES FIRST PLENARY SESSION (A) Statements

13:45 hr. Monday, October 31, 2016

Dr. Muhammed Ali Talpur, Director Marketing & Economic Research of the Pakistan Central Cotton Committee, in the Chair

The CHAIR invited the delegate from India to open the session on country reports.

The delegate from INDIA stated that the textile industry in India predominantly uses cotton. The cotton sector employs many people, is a major contributor to foreign exchange earnings and contributes 2% to national GDP. India emerged as the world's largest producer in 2105/16, when production reached 5.7 million tons. While its textile industry uses several types of natural and manmade fibers, about 60% of consumption is cotton while other fibers comprise the remaining 40%. Cotton is produced in three distinct regions of India in numerous states and India has the largest area planted to cotton, of which 36% is irrigated and 90% is planted with biotech cotton. The total cotton area declined from 12.85 million hectares in 2014/15 to 11.91 million hectares in 2015/16, while mill use is expected to be 5.24 million tons. Cotton lint is freely traded, with most exports going to Pakistan, Bangladesh, China, Vietnam, Indonesia, Turkey, Taiwan, and Thailand, while Mali, the United States, Pakistan, Cote D'Ivoire, Australia, Cameroon and Egypt were important sources for cotton imports in 2014/15. The government of India had implemented several measures to improve the quality and productivity of cotton through its Technology Mission on Cotton launched in 2000 with a focus on research and development, dissemination of technology to the cotton farmers, improvements to the marketing infrastructure and modernization of ginning and pressing sector. Due to the sudden surge in domestic cotton prices, the government had decided that the Cotton Corporation of India (CCI) would sell off its remaining stock to spinning mills in the micro/small/medium enterprise category.

The delegate of TAIWAN stated that her country's textile industry has a highly integrated production system that encompasses all stages, from spinning to garment manufacturing. As a result of restricted domestic business and intense international competition, Taiwan has focused on design and R&D to enhance the added value of products and upgrade product differentiation, shifting the focus from price to innovation. In 2015, Taiwan imported nearly 190,000 tons of raw cotton and the value rose to US\$281 million, representing an increase of 8.3% in weight and a decrease of 13.9% in value from the previous year. The USA is the largest supplier of raw cotton to Taiwan in 2015, providing 47% of the total imports by value, followed by Brazil (19%) and India (11%). With assistance from the government, Taiwan's textile sector is mainly developing high value-added materials in order to become a R&D base for functional and technical textiles. The delegate invited attendees of the Plenary Meeting to its 2017 seminar in Taiwan, which would be the fifth such seminar jointly organized by ICAC and the Taiwan Textile Federation, to further discuss issues in the cotton industry and development trends in the global textile and apparel industry.

The delegate of AUSTRALIA stated that farming communities in Eastern Australia have greatly benefited from cotton by employing around 10,000 people. Cotton is typically grown as one of several crops. Australia has the world's highest yield (typically 2.5 to 3 times the world average) and has increased water efficiency by 40% as well as reduced insecticide use. Australia has looked for

opportunities to stimulate research, such as its work with Pakistan through BCI to reduce reliance on insecticides and determine critical application rates of fertilizer. Australia's participation in BCI and its own sustainability programs have made cotton production better for both the people and the environment involved in the sector. While Australia was not a large cotton producer on a global scale, the country is the fourth-largest exporter in the world due to the fact it exported around 99% of its production, of which around 98% was shipped to Asia. Water availability, crop management profitability, weak global demand for cotton and climate change are ongoing challenges to Australia's cotton sector. The key strategic issues for the sector are to continue to enhance sustainability and responsible production and to increase global promotion to enhance demand. The delegate stated that ICAC's role is to be a leader in addressing these strategic issues and promoting production and resource-use efficiency, analysis and evaluation.

The delegate from SUDAN noted that cotton helps to reduce poverty and is a main source of staple fiber for human and animal consumption. Sudan cultivates both medium- and long-staple cotton, with about 5% of cotton produced being Bt cotton. Production and area have fluctuated due to factors such as international prices, but yield had increased in recent years due to extensive research efforts. The cotton sector in Sudan faces several challenges, including new pests that have emerged and the adverse effects of climate change, but researchers are working to develop new varieties to better face these challenges and increase productivity. He requested that ICAC continue to support all cotton research where possible and to help with the promotion and marketing of cotton globally.

The delegate of BURKINA FASO noted the relevance of the theme of the Plenary, which emphasized activities of actors throughout the cotton value chain to improve the sector's performance. He asserted that particular attention should be paid to facing the challenges through good production practices, the adoption of appropriate technological innovations and cotton processing in order to improve earnings and competitiveness throughout the cotton value chain. ICAC's international scope and the proven research experience of its members and non-members provided opportunities to collaborate in order to adapt to the risks associated with climate change. Some practices that could help the situation were production techniques that improve yield and conserve water and soil by using improved seed varieties, planting under a crop cover, and supplemental irrigation among other factors. An insurance mechanism against climate change risks could also help alleviate the situation. Climate change strongly influenced the outcome of the cotton crop in countries like Burkina Faso, which are entirely rainfed. This situation required all stakeholders to find and develop agricultural practices to protect family farmers from climate change, which can easily destroy the results in a single season.

The delegate from KENYA noted that cotton has potential to reduce poverty and unemployment due to linkages along the cotton value chain from farmers and ginners to suppliers of inputs like cottonseed. In Kenya, cotton is grown by smallholder farmers and, although 40,000 hectares are available for planting cotton, only around 10% of this land is being used. Similarly, ginning capacity in Kenya is around 147,000 bales, but only 40% of capacity is being used. The government of Kenya has partnered with researchers for building a stock of certified seeds that are distributed at a subsidized cost. The government of Kenya has approved a national technology policy strategy, which includes the provision of planting seeds, and advisory services, to be implemented in marginal growing areas. The delegate explained that Kenya's textile sector has benefitted from the United States' African Growth and Opportunity Act (AGOA), which provides African countries, such as Kenya, with preferential access to the US market and that the 10-year extension of AGOA will likely promote growth of Kenya's textile industry.

The delegate of PAKISTAN stated that cotton is a major cash crop and the backbone of Pakistan's economy, accounting for 12.5% of its GDP. Exports of cotton and textiles represent a large portion of Pakistan's overall exports. The delegate stated that its current policy is for the free trade of cotton lint.

15% of Pakistan's total arable land is under cotton, while 521 domestic spinning mills consume the majority of its production and up to 1 million 170-kg bales may be exported. Nearly two million bales are imported to meet demand for extra-long staple cotton. Production fell to 9.92 million bales in 2015/16 due to climate change, lower prices, and pest pressure. The Pakistan Central Cotton Committee (PCCC) is the apex cotton research body of Pakistan and meets the demands of the cotton sector by disseminating data, documenting cotton trade, pricing and policies at the national and international levels and providing technical support for the planning of cotton policies at the federal level. The government is taking steps to upgrade its ginning sector, by measures such as the establishment of cotton standards through Pakistan Cotton Standard Institute (PCSI) and the setting up of a Ginning Institute in the public sector. Pakistan's delegate stated that organic cotton cultivation is being encouraged, particularly in Baluchistan, which is fertile and pest-free.

The delegate of TURKEY noted that the sustainability of the cotton sector is important due to population growth and economic development putting pressure on the limited resources available to the sector. The clothing and textile sector is one of its largest and best performing sectors in the country's economy. Cotton mill use is expected to remain stable at 1.5 million tons in 2016/17, as its textile sector is based on cotton. In fact, Turkey imported a significant volume of cotton, since demand for lint is greater than domestic production. Turkey has strong trading ties with the European Union and 75% of its textiles are exported to that region. Higher manufacturing costs, particularly for labor, in recent seasons have minimized Turkey's competitive advantage in costs. Instead, Turkey is focusing more on R&D as well as higher value-added items. However, competition from other fibers threatens cotton consumption. More must be done by all stakeholders of the cotton sector to minimize the challenges facing the sector by working together to improve technical performance, create awareness of cotton's contribution to improving health and the environment in comparison with manmade fibers, and supporting growers so that costs are reduced. The delegate noted that Turkey will be organizing the next World Cotton Research Conference in 2020.

The delegate of EGYPT stated that over five million people are involved in Egypt's cotton sector, which covers processing and cultivation. The government of Egypt was working to help the sector face the challenges of competition from polyester and high production costs, which made cotton less competitive. The delegate remarked that low prices of cottonseed had reduced the cotton area in recent seasons and as result, the government was working to maintain cotton sustainability through research programs and plans that aim to produce new varieties that are higher in yield and quality, develop commercial varieties and improve yield. Giza 94 and Giza 95 are two new extra-fine varieties that were added this season, making up a total of ten different varieties available for cultivation. In order to expand its spinning sector, Egypt is planning to use more HVI instrument testing in classifying its cotton and to establish new spinning mills that are located closer to production areas and water sources.

The delegate of UGANDA stated that the Ministry of Agriculture is implementing its Agriculture Sector Strategic Plan (ASSP) covering 2015/16 to 2019/20 and includes cotton as one of twelve strategic commodities to be given extensive investment. The government will focus on strengthening research on seed modification and technical support to cotton farmers in order to improve lint quality and promote domestic value addition. Cotton production increased modestly due to efforts from the government including provision of quality inputs and extension services. However, mill use declined in 2015/16 as mills carried over a large volume of yarn from 2014/15. Uganda is implementing new classification standards as approved and adopted by International Cotton Association (ICA) in July 2016 for use as the official standards over the next two seasons. Uganda has participated in several international programs supported by India, including the Cotton Technical Assistance Program (TAP), which established a bio-pesticide lab in Eastern Uganda and the Supporting Indian Trade and Investment for Africa (SITA), which provided training on cotton contamination to Ugandan ginners and lint exporters in

February 2016.

The delegate from BRAZIL observed that cotton production in Brazil declined from a high of nearly two million tons achieved in 2011/12 to 1.3 million tons in the current season due to declines in area and yield. The cotton area is expected to increase in 2016/17, due to low inventories in 2015/16. While international cotton prices have fallen by about 3%, Brazil's revenue from exports had grown due to the much larger volume of cotton exported than in previous years, reaching US\$783 million for the period January to September 2016. This result would encourage producers to expand area. Mill use had declined in recent seasons, due to the recession and political difficulties the country has recently experienced, but would likely recover as the economy and political situation improve. Brazil is the largest producer of BCI cotton in the world, and production of BCI cotton represented 63% of the planted area and 71% of total production in 2014/15. The delegate noted that Brazil was implementing a quality inspection program based on HVI data, which would be monitored by a newly constructed laboratory in Brasília. This would guarantee quality and full traceability of all Brazilian cotton for growers, traders and spinners. The delegate invited delegates and observers to ask for further information if they were interested in this program and that a presentation on the HVI traceability inspection program was available to be presented.

The delegate of the UNITED STATES noted that upland production in 2016/17 is expected to be 15.5 million 480-lb bales, which is 24% greater than production in 2015/16 and above the 5-year average. The yield in 2016/17 is lower than the 5-year average, but has increased since last season while the abandonment rate is has decreased to less than 5%. The delegate stated that mill use is slightly higher in 2016/17, projected to reach 3.5 million bales, compared to 3.45 million bales in the previous season, but much lower than the record mill use achieved in 1997/98. The delegate noted that the United States is the world's largest cotton exporter and its share of exports is expected to increase to 35% in 2016/17, the highest since 2008/09. The main destinations for its exports are Vietnam, Turkey, Mexico, China, and Indonesia.

The CHAIR introduced Fatih Dogan, Vice Chair of the Private Sector Advisory Panel (PSAP), to present a report on the Panel's 36th meeting. Mr. Dogan reported that the PSAP noted that a crucial element in the loss of market share of cotton was the gap in prices in relation to polyester. The PSAP recommended that the terms of the study on the economic factors underlying the growth of polyester production and demand, currently being conducted by the Secretariat, should be broadened to include government policy measures that stimulated the increase of production capacity in the polyester sector. The PSAP had emphasized the need to streamline the trade of cotton by harmonizing and standardizing phytosanitary measures. Panel members had expressed satisfaction that the process of accession of the European Union to the ICAC was moving forward and had been informed that the EU intended to introduce a proposal to revise the Terms of Reference of the Panel upon its accession. PSAP members note that the goal of any changes in the Terms of Reference of the PSAP should be to maintain a wide diversity of viewpoints and encourage increased participation.

The chair introduced Jens Soth, member of the Expert Panel on Social, Environmental and Economic Performance of Cotton (SEEP), who presented an update on the testing of SEEP framework sustainability indicators. The indicator framework had been introduced in 11 countries: Australia, Benin, Bolivia, Cameroon, China, Paraguay, Peru, Senegal, Togo, USA and Zambia. Three more Latin American countries (Argentina, Colombia, and Ecuador) will conduct a test run in 2017 and five countries had conducted workshops to discuss the framework (Burkina Faso, Ivory Coast, Guinea, Mali and Niger). A detailed report on the experiences of the pilots and the highlights of the results for each country was presented. The overall conclusion was that concern about the sustainability of cotton production is shared by the stakeholders in the countries being tested and that the SEEP framework was a much-needed basis for identification of relevant indicators adapted to local conditions.

Nevertheless, the requirement for further guidance had been expressed, in order to clarify the raw data needed to inform each selected indicator. The SEEP aims to produce a report in 2017 to systematically capture the lessons learned from all the pilot tests. This lessons learned report will contain three methodical steps: a summary table of all indicators, by pilot test activity, showing which of them have been used, modified for the regional context or identified as difficult to implement; an analysis of how the utilized indicators were applied and how corresponding raw data were collected; and an organizational assessment of the roles of different actors in the pilot countries and how they collaborated to implement the framework. Mr. Soth finished his presentation by thanking all stakeholders doing the pioneering work of the pilot tests.