

STATEMENT OF THE 57TH PLENARY MEETING

The International Cotton Advisory Committee, meeting in Santa Cruz de la Sierra, Bolivia, from October 12 to 16, 1998, in its 57th Plenary Session, approved the following statement:

1. The world cotton economy is affected by falling prices and weak demand. World production is expected to fall this season by more than one million tons (7%), and world consumption is likely to decline by 400,000 tons (2%). (See statistics at Annex I.) International cotton prices are the lowest in four years, and estimates by the Secretariat suggest that this season's average price may be 10% below the average of the last two decades, which is 74 US cents per pound. If present conditions continue, the current season will be the first since 1965/66 in which average cotton prices have fallen for four consecutive years. However, cotton prices are expected to remain above the prices established in the early 1990s when the breakup of the USSR disrupted established patterns of world cotton trade.
2. The world cotton yield has not risen since 1991/92, the first period of more than four years since the 1940s in which a new record has not been achieved. Specific problems are affecting cotton yields in some of the largest producing countries, including resistance to pesticides, disease, unfavorable weather and difficulties in providing inputs to producers. Because the world yield has not increased, with increases in input prices cotton is less profitable to produce.
3. Weak world economic growth is leading to lower demand for cotton. Cotton consumption was at record levels of 19.4 million tons in the last two seasons, but estimates of world economic growth in 1998, which have fallen from more than 4% to 2%, suggest a decline in world cotton use to less than 19 million tons is possible in 1998/99. The use of cotton by textile mills is falling in almost all regions.
4. World imports of cotton fell by 500,000 tons in 1997/98, and there may be a further reduction in the volume of world trade in the current season. A change in the trade policy of the largest cotton consuming country, China (Mainland), which will result in lower imports, combined with lower consumption in most importing countries, is causing the volume of world cotton imports to fall.
5. Given an environment of lower prices and static yields, many views were expressed on the need for, and means of, reducing the costs of producing cotton and of maintaining producer incomes. The Committee also heard reports of the experiences of a number of organizations in transferring technology which have led to substantial improvement in productive efficiency and profitability.
6. Cotton continued to lose competitiveness with other fibers in the last year, and it remains essential to maintain or improve cotton's market position. In following up their commitment to arrest the decline in cotton's market share, the member countries of the Committee reported on their efforts to increase yields, improve quality, reduce contamination and promote cotton as a fiber. Combined, these measures are expected to have a positive effect. The potential of genetically-modified organisms to assist cotton's competitiveness was also noted.
7. The Committee agreed to discuss at the next Plenary Meeting in 1999 the use of High Volume Instruments and other data for classifying each bale of cotton, in order to allow for determination of fiber characteristics.
8. A number of countries reported their concerns that direct and indirect subsidies, dumping and other unfair trade practices by some countries may be preventing them from fully exploiting their potential. These countries urged the elimination of these practices throughout the whole cotton production, processing and marketing chain. The Secretariat of the Committee was asked to document by June 30, 1999, for future use in discussions in the Committee, government measures affecting cotton production, ginning and trade in the cotton countries of the world.
9. The Committee considered the evolving nature of the cotton industry and the fundamental importance of the private sector in maintaining the health of the world cotton economy. In this regard, the necessity for closer cooperation between governments and the private sector as a whole was accepted. The countries agreed that the Standing Committee, after consulting member countries, should take suitable steps to form a private sector advisory panel to assist the Advisory Committee in its work. The need for increased communication between consumers and producers was also noted.
10. The Committee held a technical seminar to disseminate the findings of the World Cotton Research Conference-2, which was held in September 1998 in Athens, Greece, under the sponsorship of the Committee, Greek cotton organizations and other international organizations. The seminar also discussed the issue of cotton contamination, from the perspective of the cotton producer and ginner and the textile mill. New methods to measure the contamination of cotton with foreign matter were also presented. It was decided to hold the technical seminar in 1999 on the topic, Fiber Quality Needs of the Modern Spinning Industry, which includes advances in ginning research.
11. The Committee agreed unanimously to appoint Dr. Terry P. Townsend as its fifth Executive Director with effect from January 1, 1999. The Committee also expressed its warm gratitude to Dr. Lawrence Shaw for the services he had provided to the Committee during his 12 year term as the fourth Executive Director.
12. The 58th Plenary Meeting of the Committee will be held in Charleston, South Carolina, October 25 to 29, 1999, at the invitation of the government of the United States of America.

Annex I
SUPPLY AND DISTRIBUTION OF COTTON
16 October 1998

Years Beginning August 1

	1994	1995	1996	1997 Est.	1998 Proj.	1999 Proj.
Million Metric Tons						
BEGINNING STOCKS						
WORLD TOTAL	6.917	7.367	8.920	9.354	9.60	9.25
CHINA (MAINLAND)	2.102	2.788	3.715	4.002	4.20	3.28
USA	0.769	0.577	0.568	0.865	0.85	0.61
NET EXPORTERS	3.239	2.954	3.609	3.867	3.97	4.69
NET IMPORTERS 1/	3.677	4.413	5.312	5.487	5.63	4.56
PRODUCTION						
WORLD TOTAL	18.783	20.352	19.603	19.967	18.65	19.24
CHINA (MAINLAND)	4.342	4.768	4.203	4.602	4.10	4.10
USA	4.281	3.897	4.124	4.092	2.89	3.70
INDIA	2.355	2.885	3.024	2.605	3.00	3.00
PAKISTAN	1.478	1.801	1.594	1.556	1.70	1.62
UZBEKISTAN	1.248	1.254	1.062	1.139	1.10	1.10
TURKEY	0.628	0.851	0.784	0.832	0.80	0.81
OTHERS	4.451	4.895	4.812	5.142	5.05	4.91
CONSUMPTION						
WORLD TOTAL	18.401	18.576	19.378	19.361	18.95	19.38
CHINA (MAINLAND)	4.500	4.500	4.700	4.800	4.60	4.50
INDIA	2.279	2.576	2.864	2.750	2.70	2.85
EU, C. Eur. & TURKEY	2.316	2.312	2.476	2.587	2.48	2.53
USA	2.438	2.318	2.422	2.471	2.30	2.30
EAST ASIA & AUSTRALIA	2.160	2.160	2.085	1.908	1.86	1.88
PAKISTAN	1.508	1.540	1.524	1.523	1.55	1.60
BRAZIL	0.818	0.817	0.830	0.700	0.70	0.75
CIS	0.535	0.442	0.407	0.447	0.43	0.51
OTHERS	1.847	1.911	2.070	2.175	2.33	2.46
EXPORTS						
WORLD TOTAL	6.314	5.981	6.059	5.958	5.30	5.74
USA	2.047	1.671	1.495	1.633	0.90	1.24
UZBEKISTAN	1.250	0.940	1.042	1.050	0.94	0.95
FRANCOPHONE AFRICA	0.613	0.608	0.721	0.831	0.86	0.88
AUSTRALIA	0.293	0.308	0.519	0.600	0.61	0.59
ARGENTINA	0.208	0.266	0.290	0.220	0.24	0.22
GREECE	0.265	0.275	0.195	0.200	0.13	0.23
CHINA (MAINLAND)	0.040	0.005	0.002	0.006	0.52	0.25
IMPORTS						
WORLD TOTAL	6.475	5.817	6.145	5.635	5.30	5.74
EAST ASIA & AUSTRALIA	2.140	2.146	2.004	1.781	1.81	1.84
EU, C. Eur. & TURKEY	1.525	1.410	1.599	1.642	1.56	1.60
SOUTH AMERICA	0.471	0.510	0.633	0.471	0.48	0.57
CHINA (MAINLAND)	0.884	0.663	0.787	0.399	0.10	0.20
CIS	0.430	0.225	0.207	0.274	0.25	0.29
TRADE IMBALANCE 2/	0.161	-0.164	0.086	-0.323	0.00	0.00
STOCKS ADJUSTMENT 3/	-0.092	-0.058	0.123	-0.034	-0.05	-0.03
ENDING STOCKS						
WORLD TOTAL	7.367	8.920	9.354	9.603	9.25	9.07
CHINA (MAINLAND)	2.788	3.715	4.002	4.197	3.28	2.83
USA	0.577	0.568	0.865	0.846	0.61	0.78
NET EXPORTERS	2.954	3.609	3.867	3.973	4.69	5.29
NET IMPORTERS 1/	4.413	5.312	5.487	5.630	4.56	3.78
ENDING STOCKS/USE 4/	0.39	0.42	0.42	0.40	0.39	0.42
COTLOOK A INDEX 5/	94.30	85.61	78.60	72	67*	71*

1/ Includes Brazil, China (Mainland), Colombia, Greece, Mexico, Turkey and traditional imports
2/ The inclusion of linters and waste, changes in weight during transit, differences in reporting periods and measurement error account for differences between world imports and exports
3/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated
4/ World-less-China (Mainland) ending stocks minus China net exports, quantity divided by world-less-China consumption
5/ U.S. cents per pound. The estimates for 1998/99 and 1999/00 are based on China (Mainland) trade and world-less-China (Mainland) ending stocks to use. The estimate for 1994/95 is adjusted for quotes during June and
* 95% confidence intervals extend 15 cents per pound above and below each point estimate