



INTERNATIONAL COTTON ADVISORY COMMITTEE

STATEMENT OF THE 58TH PLENARY MEETING

Charleston, South Carolina, USA

Friday October 29, 1999

The International Cotton Advisory Committee met in Charleston, South Carolina, USA, from October 25 to 29, 1999, for its 58th Plenary Meeting since the Committee was established in 1939. Representatives from thirty-four member governments, three non-member countries and four international organizations participated in the meeting. The Committee welcomed the governments of Nigeria and Togo as its newest members. The member countries are committed to working together to advance the interests of cotton worldwide. The challenges faced by the industry are many, including inadequate demand for cotton, technical production issues, and government measures that distort markets. Cotton, as a renewable fiber resource, plays a crucial role for an increasing number of countries, providing employment to hundreds of millions of farmers and processors and serving as an engine of economic growth in both developed and developing countries. Cotton is simultaneously an agricultural product and industrial raw material and has an important impact on the agricultural and industrial sectors of the world economy. The Committee approved the following statement:

1. World cotton production is expected to rise in 1999/00 and reach more than 19 million tons. However, demand for cotton remains weak, and world ending stocks are expected to climb. International cotton prices have fallen to the lowest level since the mid-1980s, and current estimates by the secretariat suggest that 1999/00 will be the fifth consecutive season in which average cotton prices have fallen.
2. Improved world economic growth during 1999 and 2000 is expected to lead to increases in cotton use. However, the demand for cotton is expected to grow more slowly during the next five years than was recorded during earlier periods. Governments recognized that properly managed promotion efforts increase the demand for cotton. The Committee was informed of national programs funded largely by their private sectors that are examples of successful promotion efforts. Cotton industries were encouraged to begin promotion efforts based on best practices adapted to the specific conditions in their countries. Some countries also expressed an interest in generic promotion efforts for cotton. The Secretariat was instructed to investigate the net benefits of re-establishing the international cotton emblem, as well as efforts to raise consumer awareness of fiber content and to educate consumers about the desirable properties of cotton fiber.
3. Many governments were deeply concerned that subsidies, particularly production and export subsidies, tariffs and trade barriers serve only to distort the world cotton economy and thus are likely to interfere with the achievement of a sound world cotton economy. Numerous governments urged the elimination of these practices throughout the whole cotton production, processing and marketing chain in 1999/00. The Secretariat of the Committee was instructed to provide annual updates on government measures affecting cotton production, ginning and trade, and to provide a paper on arrangements affecting trade in cotton textiles and apparel. Recognizing that these issues are more appropriately addressed in the World Trade Organization, governments welcomed the forthcoming multilateral negotiations in the WTO, and expressed the wish that these negotiations result in a substantial reduction in production and trade distortions and improvements in the global cotton economy.

4. Continued improvements in cotton quality and reductions in contamination are recognized as important contributing factors in the initiative to increase the demand for cotton. While producing countries have made significant efforts to improve cotton quality and reduce contamination, the Committee heard that polypropylene, stickiness and other forms of contamination continue to trouble cotton spinners. Cotton producers are encouraged to remain vigilant in their efforts to improve quality and reduce contamination.

5. The Committee held a technical seminar on the topic "Fiber Quality Needs of the Modern Spinning Industry and Advances in Ginning Research", where it was explained that with the introduction of high-speed spinning machinery, the requirements for fiber attributes have changed. The use and potential of high-volume instrument testing equipment have expanded in recent years. The Committee noted that the repeatability of test results needs to be improved, and that additional tests are needed for cotton characteristics not currently measured. Some governments suggested that it would be beneficial to advance in the adoption of mechanical classification of cotton, within the practical limitations and realities of each country, as a basis for the commercialization of fiber.

6. The Committee agreed to hold a technical seminar in 2000 on the topic of "Global Challenges: Environment, Field Production and Processing of Cotton."

7. The world cotton yield has not risen in the 1990s. The Committee heard from scientists who reported that in some countries further advances in cotton yields are likely to be dependent on the development of new technologies. In other countries, gains from the classical contributors to yield improvements, such as classical breeding, modern crop handling, integrated pest management and the use of fertilizers and pesticides are still possible.

8. While input costs are rising, the world average yield has not increased, such that the average cost to produce cotton has risen in the 1990s. Agronomic practices that permit reductions in the use of inputs while maintaining yields have shown substantial benefits in reducing production costs. The use of new technologies to control cotton pests, in combination with fewer applications of insecticides, could be a potential vehicle for reducing production costs.

9. With a view toward strengthening linkages to the private sector, the ICAC formed a Private Sector Advisory Panel (PSAP) in 1999. Governments expressed appreciation to Panel members for their contributions. The Committee looks forward to enhancing its partnership with the PSAP and to considering recommendations from the Panel to improve the functioning of the ICAC (without changing its nature as an intergovernmental body), to expand the resources available to the secretariat and to focus the work of the Committee on matters of greatest strategic concern to those who produce, market and process cotton. The Committee requested the secretariat to present a business plan on this matter.

10. The Committee acknowledged the assistance of the Common Fund for Commodities in working towards the solution of a number of important cotton problems. Since 1991, when the Fund became fully operational, a total of seven cotton projects have been approved involving nearly US\$20 million in grants or loans from the CFC.

11. The 59th Plenary Meeting of the Committee will be held in Cairns, Queensland, November 5 to 10, 2000 at the invitation of the Government of Australia. The Committee has accepted an invitation from the Government of Zimbabwe to host the 60th Plenary Meeting from September 17 to 21, 2001. The Committee has also accepted invitations from the governments of Egypt and Poland to host the 61st and 62nd Plenary Meetings, respectively, in the years 2002 and 2003.

SUPPLY AND DISTRIBUTION OF COTTON

29 October 1999

Years Beginning August 1

	1995	1996	1997	1998 Est.	1999 Proj.	2000 Proj.
Million Metric Tons						
BEGINNING STOCKS						
WORLD TOTAL	7.374	8.926	9.391	9.92	9.70	9.81
CHINA (MAINLAND)	2.788	3.715	4.002	4.30	4.12	3.47
USA	0.577	0.568	0.865	0.85	0.85	0.96
NET EXPORTERS	2.954	3.609	3.908	4.05	3.97	4.53
NET IMPORTERS 1/	4.420	5.317	5.484	5.86	5.73	5.28
PRODUCTION						
WORLD TOTAL	20.352	19.607	20.072	18.66	19.24	19.27
CHINA (MAINLAND)	4.768	4.203	4.602	4.50	4.00	3.80
USA	3.897	4.124	4.092	3.03	3.58	3.80
INDIA	2.885	3.024	2.686	2.71	2.80	2.80
PAKISTAN	1.801	1.594	1.561	1.48	1.70	1.50
UZBEKISTAN	1.254	1.062	1.139	1.00	1.05	1.10
TURKEY	0.851	0.784	0.838	0.87	0.82	0.79
OTHERS	4.895	4.816	5.155	5.07	5.29	5.49
CONSUMPTION						
WORLD TOTAL	18.615	19.369	19.275	19.03	19.13	19.40
CHINA (MAINLAND)	4.500	4.700	4.700	4.60	4.40	4.30
INDIA	2.576	2.864	2.684	2.76	2.85	2.95
EU, C. EUR. & TURKEY	2.386	2.502	2.578	2.36	2.44	2.48
USA	2.318	2.422	2.471	2.27	2.18	2.10
EAST ASIA & AUSTRALIA	2.160	2.086	1.922	1.99	2.08	2.11
PAKISTAN	1.540	1.524	1.543	1.53	1.56	1.60
BRAZIL	0.817	0.830	0.773	0.86	0.89	0.90
CIS	0.441	0.406	0.445	0.43	0.48	0.50
OTHERS	1.878	2.036	2.160	2.24	2.25	2.45
EXPORTS						
WORLD TOTAL	5.972	6.049	5.911	5.30	5.78	6.00
USA	1.671	1.495	1.633	0.94	1.30	1.60
UZBEKISTAN	0.940	1.042	1.050	0.90	0.84	0.91
FRANCOPHONE AFRICA	0.608	0.719	0.824	0.84	0.91	0.91
AUSTRALIA	0.308	0.519	0.575	0.65	0.63	0.57
GREECE	0.275	0.195	0.187	0.23	0.25	0.20
ARGENTINA	0.266	0.290	0.220	0.16	0.11	0.06
CHINA (MAINLAND)	0.005	0.002	0.006	0.15	0.30	0.30
IMPORTS						
WORLD TOTAL	5.842	6.118	5.738	5.42	5.78	6.00
EAST ASIA & AUSTRALIA	2.137	1.992	1.786	1.93	2.06	2.06
EU, C. EUR. & TURKEY	1.476	1.621	1.698	1.50	1.60	1.54
SOUTH AMERICA	0.510	0.633	0.581	0.47	0.52	0.57
CIS	0.224	0.206	0.273	0.24	0.29	0.29
CHINA (MAINLAND)	0.663	0.787	0.399	0.07	0.05	0.05
TRADE IMBALANCE 2/	-0.130	0.069	-0.172	0.12	0.00	0.00
STOCKS ADJUSTMENT 3/	-0.055	0.159	-0.100	0.02	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	8.926	9.391	9.916	9.70	9.81	9.68
CHINA (MAINLAND)	3.715	4.002	4.297	4.12	3.47	2.72
USA	0.568	0.865	0.846	0.85	0.96	1.06
NET EXPORTERS	3.609	3.908	4.053	3.97	4.53	5.17
NET IMPORTERS 1/	5.317	5.484	5.863	5.73	5.28	4.52
ENDING STOCKS/USE 4/	0.42	0.42	0.41	0.38	0.41	0.44
COTLOOK A INDEX 5/	85.61	78.60	72.20	58.90	55*	58*

1/ Includes Brazil, China (Mainland), Colombia, Greece, Mexico, Turkey and traditional importers

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 1999/00 and 2000/01 are based on net China (Mainland) trade and world-less-China (Mainland) ending stocks to use. The ICAC price model is corrected for the average error.

*/ 95% confidence interval extends 15 cents above and below the point estimate