



INTERNATIONAL COTTON ADVISORY COMMITTEE

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Statement of the 65th Plenary Meeting

“The Social and Environmental Impacts of Cotton Production and Use”

The International Cotton Advisory Committee met in Goiânia, Goiás, Brazil during September 11-15, 2006 for its 65th Plenary Meeting since 1939. Representatives from 53 governments and 10 international organizations participated in the meeting.

1. Global Cotton Demand Expanding: The Secretariat estimates that world cotton use will increase by 3% to 26 million tons during the current cotton season. World cotton consumption increased every year between 1998 and 2005, and the expansion is now the longest and largest on record.

1.1. World production is expected to remain at 25 million tons for a second year in 2006/07, and ending stocks are projected to decline by 1 million tons. The Secretariat believes that the average level of international cotton prices is likely to rise during 2006/07 as a result of the projected decline in stocks and increase in trade. The Committee instructed the Secretariat to strengthen its efforts to forecast cotton prices, and several countries suggested that the Secretariat include the effect of subsidies in their price model to improve its accuracy.

1.2. The Committee received reports from countries about developments in their cotton sectors. Some countries reported on the rapid advance of yields linked to the adoption of new technologies, including biotechnology. Developing countries reported that their industries are being severely affected by cotton prices that remain below the average of previous decades, and it was reported that government measures in some countries are contributing to distortions in world cotton production.

2. Efforts to Reduce Negative Impacts Must Continue: Member Governments reaffirmed that production and export subsidies affect cotton prices and trade, and lead to negative impacts on cotton farmers, especially in the developing and least developed countries and, therefore, it was suggested that these impacts continue to be evaluated and reported by the Secretariat. The Committee reaffirmed the critical importance cotton plays in the economies of developing countries.

2.1. The Committee acknowledged the Sectoral Initiative on Cotton from the four African countries of Benin, Burkina Faso, Chad, and Mali and the importance of the Initiative in contributing to solutions to problems involving cotton production. The Committee strongly supported the trade and development aspects of the WTO Initiative on Cotton and notes that substantive progress on both is imperative. The Committee recalled that members of the WTO agreed to treat cotton ambitiously, expeditiously, and specifically.

2.2. The Committee called on the WTO and its members to urgently resume the “suspended” Doha round of multilateral trade negotiations. The Committee agreed that a liberalized world trade system for cotton can best be reached through WTO framework.

2.3. The Committee welcomed the work already done by WTO members to provide assistance to the cotton sector under the development aspects mandate, and encouraged the WTO, with

support from the ICAC, to continue to promote this aspect. It was noted that the ICAC is assisting African countries with the adoption of instrument testing systems. The Committee agreed that for full benefits to be obtained for cotton in the WTO negotiations there has to be coherence between trade and development aspects. The Committee instructed the Secretariat to work with the WTO to conduct annual workshops on cotton trade and development aspects.

3. Better Practices in Cotton Cultivation Encouraged: The Committee was informed that cotton, a driving force for development, leads to increased production of associated crops and livestock and contributes to the development of professional associations in developing countries. Insecticide use in cotton production is being gradually reduced. A careful evaluation of cotton farming practices in Africa and other developing countries indicates that there are negative impacts associated with improper use of pesticide and fertilizer, as well as positive results when properly applied. More studies are required.

3.1. The Committee noted that in spite of significant advances that have taken place, additional studies are required in the agricultural production systems, which include indebtedness linked to input finance; hardship of labor, especially for women and children; inappropriate use of chemicals and other inputs which may result in exposure of farm workers and have environmental consequences.

3.2. The Committee discussed efforts to encourage the adoption of Integrated Pest Management (IPM) and other Better Management Practices (BMPs) that enable producers to improve resource use, enhance environmental outcomes reduce waste, assure market access and strengthen relations with local stakeholders. In addition, the Committee heard reports about the Better Cotton Initiative (BCI). The BCI aims to promote measurable improvements in the key environmental and social impacts of cotton cultivation worldwide. BCI is a collaborative, multi-stakeholder effort initiated by the World Wildlife Fund (WWF) and the International Finance Corporation (IFC).

3.3. The Committee directed the Secretariat to form an Expert Panel on the Social, Environmental and Economic Performance of the world cotton industry. The Expert Panel will provide objective, science-based information to the Committee on the negative and positive aspects of global cotton production and will make recommendations for further action as appropriate. As one component of its mandate, the Expert Panel will gather information from around the world on costs of agricultural labor and the factors that affect those costs.

4. Standardization of Instrument Testing: Instrument testing of cotton is gradually replacing hand classing, and the world cotton industry is in the process of adopting standard systems and procedures for the operation of cotton testing centers. The Committee is supporting this change through the work of its Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC). The CSITC reported that it will begin conducting Round Trials among testing centers on a voluntary basis during 2006 so as to provide information about the accuracy and precision of test center performance to test center operators.

4.1. The objective of the CSITC is to enable all cotton test centers to meet international standards of accuracy so as to facilitate global uniformity in test center results and thereby increase transparency and efficiency in the cotton market. The Committee continued to take note of the concerns of developing countries about the cost of purchase and operation of instrument testing systems, and instructed the CSITC to consider ways that costs could be reduced.

4.2. The Secretariat and members of the CSITC are also aware that tests for additional fiber characteristics such as neps, short fiber content and trash need to be developed and

incorporated into standardized instrument testing systems. The Committee instructed the CSITC to be aware that implementation of instrument testing systems must be gradual and will be adopted on a country-by-country basis as and when appropriate.

4.3. The Committee noted that during the past year the CSITC developed a project proposal to assist African countries in their efforts to implement instrument testing systems. The Committee expressed its appreciation to the Common Fund for Commodities (CFC) for approving this project that will assist African countries to participate in the Commercial Standardization of Instrument Testing of Cotton. The ICAC notes that the CFC is contributing a very significant amount to the total project of US\$2 million. The Committee also noted that US\$3 million are expected to be provided through co-financing from the European Commission (EC) under its All-ACP Support Programme on Agricultural Commodities. It is hoped that EC co-financing can be formally confirmed at the soonest opportunity.

5. The Committee on Cotton Production Research organized a **Technical Seminar on the role of biotechnology and crop management in improving sustainability of cotton production**. The technical seminar included presentations on the benefits of both cotton bio-technology and integrated pest management. Both approaches may contribute to improved quality of life of cotton producers and reduce use of pesticides. The Committee noted that using biotech cotton can be a valuable component in an integrated approach to improve the long-term sustainability of cotton production.

5.1. The commercialization of biotech products requires a long process of regulatory approval. Biotech cotton has significantly reduced the use of pesticides, particularly insecticides. Proper crop management and timely field operations do enhance the benefits of new technologies. Crop rotations, pest resistant varieties, growth monitoring and plant mapping and rationalization of field activities have been proven to result in better cotton production methods. The Committee on Cotton Production Research recognized the role of the International Cotton Genome Initiative (ICGI) in developing technologies that will allow marker-assisted breeding in years to come. Proposals were made to develop performance indicators against which progress could be measured across countries in a uniform way for improving cotton as an environmentally, economically and socially sustainable crop.

5.2. The Committee on Cotton Production Research decided to hold the 2007 technical Seminar on the topic of "The Vision for 2025".

5.3. The Committee received a report on preparations for the World Cotton Research Conference-4 (WCRC-4) to be held in Lubbock, Texas, USA from September 10-14, 2007. Participation in the WCRC-4 is expected to exceed 600 scientists.

6. The Committee received a report from its **Private Sector Advisory Panel**. The PSAP asked the executive director to study the risks and benefits of creating a more formal mechanism for private sector participation in the ICAC, without impinging upon the essential nature of the ICAC as an intergovernmental body, and to report his findings to the PSAP and the Standing Committee for future consideration. The PSAP noted that it is necessary that the private sector actively support the work of the ICAC. The PSAP recommended that non-member countries join the Committee. The PSAP discussed the issue of excess moisture in baled cotton. The Panel suggested that governments should prohibit destructive systems that add liquid moisture to bales solely for the purpose of increasing weight. The PSAP strongly believes that the work of the International Forum for Cotton Promotion (IFCP) is necessary and important and that the ICAC should continue to support the IFCP through the business plan. There was a suggestion that the IFCP not limit its efforts to national, fully developed marketing plans and consider small-scale, regional or low-budget activities that may be implemented at a sub-national scale.

Members of the PSAP noted that there is an increase in the number of inaccurate, negative statements in the press regarding cotton production, including negative statements from advocates of organic cotton who distort the effects of conventional cotton production. The IFCP was asked to consider ways that inaccurate statements could be countered.

7. The International Forum for Cotton Promotion (IFCP) conducted a session on demand enhancement during the Production Conference that was held adjacent to the Plenary Meeting. Participants in the session agreed that there are many inexpensive techniques that can be employed to raise the profile of cotton and cotton products, including “Cotton Days”, cause-marketing to raise money for charities, fashion shows, posters, and donated t-shirts for marathons. The Committee agrees that efforts to build demand contribute to the health of the cotton sector.

8. The Committee welcomed the statement made by the **European Union** and its member states that the European Commission continues to work toward becoming a member of the ICAC. The Committee welcomed **Kazakhstan** and **Zambia** as the newest members of the Committee. Member governments noted that the ICAC provides public infrastructure in support of the cotton industry that cannot be performed in the private sector, and that the ICAC is an instrument of cooperation and communication to the benefit of all participants in the cotton economy.

9. The ICAC expressed its appreciation to the **Common Fund for Commodities (CFC)** for supporting commodity development and acknowledged the benefits to the cotton industry of projects financed by the CFC. Since the Fund became fully operational in 1991, a total of 18 cotton projects have been supported. The CFC has provided US\$5.7 million in loan financing and US\$22.7 million in grant financing for cotton projects. The Secretariat and the Standing Committee were instructed to explore multi-country and regional priorities for projects to be funded by the CFC in the future and to present them in due course to the CFC for inclusion in the Funds third Five Year Action Plan (2008-2012).

10. The Committee thanked the Government and cotton industry of **Brazil** for their hospitality and generosity in serving as host of the 65th Plenary Meeting. The efforts of the Secretariat and Organizing Committee in preparing for the meeting were much appreciated. The Committee accepted an invitation from the Government of Turkey to host the 66th Plenary Meeting in the city of Izmir during October 22-26, 2007. An invitation to host the 67th Plenary Meeting in Burkina Faso in 2008 has also been accepted. The Committee is gratified to note that invitations to host future plenary meetings have also been received from Pakistan, South Africa, Tanzania and Kazakhstan.

MEMBER GOVERNMENTS

Argentina, Australia, Belgium, Brazil, Burkina Faso, Cameroon, Chad, China (Taiwan), Colombia, Côte d'Ivoire, Egypt, Finland, France, Germany, Greece, India, Iran, Israel, Italy, Kazakhstan, Republic of Korea, Mali, Netherlands, Nigeria, Pakistan, Paraguay, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United Kingdom, United States of America, Uzbekistan, Zambia, Zimbabwe.

ANNEX 1

SUPPLY AND DISTRIBUTION OF COTTON

September 15, 2006

Years Beginning August 1

	2002	2003	2004	2005 Est.	2006 Proj.	2007 Proj.
Million Metric Tons						
BEGINNING STOCKS						
WORLD TOTAL	10.976	9.354	8.713	11.037	10.69	9.85
CHINA (MAINLAND)	3.094	2.385	2.166	1.552	1.61	1.62
USA	1.622	1.172	0.751	1.196	1.30	0.96
NET EXPORTERS	3.822	3.612	5.142	6.332	6.03	5.34
NET IMPORTERS 1/	7.154	5.741	3.570	4.705	4.65	4.51
PRODUCTION						
WORLD TOTAL	19.301	20.708	26.289	24.738	24.89	26.47
CHINA (MAINLAND)	4.916	4.871	6.324	5.770	6.06	6.46
USA	3.747	3.975	5.062	5.201	4.43	4.95
INDIA	2.312	3.043	4.131	4.148	4.59	4.73
PAKISTAN	1.736	1.708	2.482	2.089	2.23	2.34
UZBEKISTAN	1.022	0.893	1.134	1.210	1.14	1.10
BRAZIL	0.848	1.309	1.299	1.028	1.16	1.29
OTHERS	4.721	4.909	5.856	5.292	5.29	5.61
CONSUMPTION						
WORLD TOTAL	20.872	21.279	23.407	24.873	25.73	26.25
CHINA (MAINLAND)	6.144	6.981	8.326	9.900	10.49	10.91
INDIA	2.910	2.959	3.232	3.426	3.63	3.78
PAKISTAN	2.042	2.100	2.234	2.390	2.53	2.64
EU, C. EUR. & TURKEY	2.384	2.230	2.300	2.145	2.08	2.01
EAST ASIA & AUSTRALIA	2.075	1.879	1.990	1.903	1.91	1.90
USA	1.583	1.364	1.457	1.285	1.20	1.11
BRAZIL	0.800	0.875	0.900	0.870	0.90	0.90
CIS	0.689	0.671	0.623	0.619	0.63	0.63
OTHERS	2.244	2.219	2.346	2.335	2.36	2.37
EXPORTS						
WORLD TOTAL	6.647	7.235	7.779	9.753	9.70	9.67
USA	2.591	2.995	3.143	3.821	3.57	3.75
CFA ZONE	0.815	1.059	0.936	1.031	1.03	0.95
UZBEKISTAN	0.783	0.659	0.850	1.020	1.02	0.94
AUSTRALIA	0.575	0.470	0.435	0.650	0.55	0.49
BRAZIL	0.107	0.210	0.339	0.429	0.46	0.44
GREECE	0.280	0.247	0.321	0.355	0.35	0.29
CHINA (MAINLAND)	0.164	0.038	0.007	0.008	0.01	0.01
IMPORTS						
WORLD TOTAL	6.586	7.265	7.325	9.547	9.70	9.67
CHINA (MAINLAND)	0.682	1.929	1.394	4.200	4.45	4.46
EAST ASIA & AUSTRALIA	2.072	1.700	2.072	1.757	1.84	1.87
EU, C. EUR. & TURKEY	1.402	1.232	1.434	1.268	1.06	1.04
CIS	0.348	0.313	0.347	0.339	0.31	0.32
SOUTH AMERICA	0.333	0.303	0.215	0.255	0.31	0.24
TRADE IMBALANCE 2/	-0.062	0.029	-0.454	-0.205	0.00	0.00
STOCKS ADJUSTMENT 3/	0.010	-0.100	-0.103	-0.008	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	9.354	8.713	11.037	10.688	9.85	10.08
CHINA (MAINLAND)	2.385	2.166	1.552	1.614	1.62	1.62
USA	1.172	0.751	1.196	1.295	0.96	1.06
NET EXPORTERS	3.612	5.142	6.332	6.033	5.34	5.55
NET IMPORTERS 1/	5.741	3.570	4.705	4.655	4.51	4.53
ENDING STOCKS/USE 4/	0.51	0.59	0.72	0.89	0.83	0.84
COTLOOK A INDEX 5/	55.40	68.30	52.20	56.15		

1/ Includes Argentina, China (Mainland), Colombia, Mexico, Pakistan, 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.