



INTERNATIONAL COTTON ADVISORY COMMITTEE
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Final Statement of the 71st Plenary Meeting

“Shaping Sustainability in the Cotton Value Chain”

October 11, 2012, 5:00 PM

1. The International Cotton Advisory Committee (ICAC) met in Interlaken, Switzerland during October 7-11, 2012 for its 71st Plenary Meeting since the establishment of the Committee in 1939. Participation was nearly 400 including, representatives from 46 governments and 14 international organizations participated in the meeting. Approximately two-thirds of all participants were from the private sectors of their countries and one-third represented governments or international organizations. The theme of the Plenary Meeting, “Shaping sustainability in the cotton value chain” provided an opportunity to take a closer look at the cotton value chain using a sustainability framework.
2. **Cotton’s Position in the World Market: Planning for the Future:** The Secretariat reported that world cotton production is expected to decrease by 6% to 26 million metric tons in 2012/13, while mill use is expected to rise by 3% to 23 million tons. After rising to a record in March 2011, cotton prices have declined significantly. Cotton consumption is forecast to remain below production during 2012/13, causing stocks to rise. International trade in cotton is expected to fall to 8 million tons during the current season. The Secretariat reported that current prices for cotton, combined with rising prices for food crops, will likely reduce global cotton area in 2013/14.
3. The Committee endorsed the results of the panel discussion on cotton statistics. The Committee emphasized that countries should develop accurate cotton supply and use estimates. It is important to reconcile these estimates in a national cotton balance sheet, to help decision making in the public and private sectors. Independence, reliability, transparency and timeliness, are essential factors to prepare national cotton statistics. Some countries face challenges in the collection of cotton data. In many countries, cotton stocks are not estimated systematically. The Committee recognized the necessity of regulating the collection of national cotton statistics, and timely publication. The involvement of the private sector in the design and implementation of these regulations has been found indispensable

to their success. The Committee requested the Secretariat to continue working in this direction.

4. The Committee instructed its Secretariat to renew its price forecasting efforts and to organize forums in Washington, DC, and other locations to study cotton prices and to discuss appropriate government responses to near-term challenges facing the cotton market.
5. The Committee noted that some countries that maintain Minimum Support Prices (MSP's), are concerned about the risks of increasing stocks posed by global prices falling below their MSP's.
6. Analysts reported that polyester now dominates the global fiber market, with cotton's share continuing to decline. It is expected that polyester fiber quality will improve and production capacity will increase further. The Committee recognized the competition posed by polyester in the global fiber market and instructed the Standing Committee to establish a working group of member countries to investigate these challenges, to reflect on the future of the global cotton industry, and to advise members of possible actions.
7. The Committee noted that natural fiber industries would face strong competition from alternative fibers during the remainder of the current decade. The Committee agreed that efforts to communicate positive messages about cotton generically should be encouraged, including the work of the International Forum for Cotton Promotion (IFCP), and those organizations that support various cotton production initiatives, including organic, Fairtrade, Cotton made in Africa, and BCI. Promotion activities that send negative messages about alternative cotton production systems should be avoided.
8. The Committee agreed that those organizations promoting cotton production initiatives should work in cooperation with national systems and institutions. The Committee instructed its Secretariat to form a Task Force on Cotton Identity Programs in order to strengthen information about sustainability, to enhance cooperation, and to improve transparency and exchange experiences.
9. **Shaping Sustainability:** During its 71st Plenary Meeting, the Committee conducted a

structured discussion about the meaning of sustainability in the cotton value chain. This included a World Café conversation, presentations from experts and reports from breakout panels. The Committee agreed that sustainable cotton value chains are those that are profitable, that meet the environmental standards, and that contribute to strong and healthy communities.

10. The Committee acknowledges that standards may vary from country to country. Sustainability is a journey, and that progress is best achieved through continuous improvement. Addressing sustainability is best undertaken through a cradle to grave approach and must include cotton agricultural production, cotton textile manufacturing, consumer use, and disposal phases.
11. The Committee obtained reports from experts about good progress being made, particularly in areas of water and chemical use but agreed that more can be done. Measuring the impact of cotton activities is important and various tools exist including life cycle analysis. These tools allow positive results to be identified and celebrated, to identify areas for more work and to monitor progress towards sustainability.
12. The Committee was informed that brands and retailers are now using environmental considerations, along with prices and consumer preferences, in their decision-making processes for product development. Life Cycle Assessments (LCAs) are the commonly used language of environmental metrics, and the cotton industry is building a credible global data set for cotton; developing benchmarks for cotton to measure future improvement; identifying future research needs and assisting manufacturers in developing their own individual LCAs for cotton products. It was noted that when cotton's LCA is compared to information available for other major textile fibers, no fiber is a clear winner – all have relative strengths and weaknesses.
13. Cotton organizations will be staying engaged with brands/retailers, sustainability organizations and industry leaders to provide factual information and to correct misstatements about cotton. Cotton researchers will continue to highlight water use and nitrogen-use efficiency as major priorities. Textile researchers will be prioritizing reduced water and energy use and the use of safer chemistry in cotton textile processing. The Committee noted that the cotton industry and many member countries offered to work with

the LCA concept to improve sustainability indicators. Several member countries are in the process of formulating their national cotton policies to address issues of sustainability indicating the need for international collaboration.

14. The Committee received a report from its Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP). SEEP reported that it is formulating recommendations on the relevant global framework and sustainability indicators that should be measured by any sustainability program that is working with cotton farmers. The report will be ready for the next plenary meeting. The Committee affirmed that SEEP should continue its good work.

15. **Trade in Cotton: Disruptions and Defaults Undermine Sustainability:** The ICAC members affirmed that the issues discussed in the Doha Round remain important and must be resolved. The Committee voiced support for the World Trade Organization (WTO) for its role in promoting openness and facilitating the rule of law in trade matters, for the Dispute Settlement Understanding and for its contributions to economic development. ICAC Members reiterated that cotton is an integral part of the Doha Development Agenda (DDA) and that there can be no successful conclusion of the DDA without an agreement on cotton. The Committee acknowledged the specific request of the C4 for an end to direct subsidies that distort production and trade in cotton. Many members of the Committee stressed that, any attempt to reach a partial agreement in the form of an early harvest in this round, should be focused directly on agriculture with specific attention to cotton since it is one of the sectors that is most distorted in trade. The Committee urges governments to honor their WTO commitments regarding subsidies in sectors that compete with cotton.

16. The Committee's Private Sector Advisory Panel (PSAP) reported that contract enforcement underpins profitability. The Committee endorsed this principle. The Committee recognized that enforcement of the rule of law is a fundamental role of governments. The PSAP urged governments to support the underlying principles of good trading practices and enforcement of arbitral awards. The PSAP further urged governments to facilitate the observance of contract sanctity by ensuring that contract enforcement in courts is efficient and objective. The PSAP urged governments to exclude firms who have defaulted on either domestic or international obligations from eligibility in programs funded by governments, such as low interest loans for textile machinery purchases, programs to support cotton production, import

quotas for textile and apparel products, and other programs with a public purpose. The PSAP urged governments to avoid abrupt and retroactive application of trade distorting measures. According to the PSAP, such disruptions to cotton marketing exacerbate problems of contract defaults, create unfair competition, and have negative long term impacts on the cotton value chain worldwide as spinners respond to such disruptions by reducing cotton use in favor of other fibers.

17. The PSAP also informed governments that universal adoption of the model phytosanitary certificate that has been prepared by the Food and Agriculture Organization of the United Nations (FAO), harmonization of Electronic Bills of Lading, and implementation of a common system of bale identification would increase efficiencies in world cotton trade.
- 18. Committee on Cotton Production Research: Regulatory Complexity Slows Adoption:**
Six papers were presented during a Technical Seminar conducted on the topic of 'Intellectual Property Rights and the Role of Private Breeders.' Researchers reported that complex biosafety regulations and intellectual property rights are hampering the spread of biotechnology applications. Specialists noted that properly designed regulations covering intellectual property rights would encourage investments and provide access to information.
19. The Committee was informed that the regulatory approval process for biotech products is complex, lengthy and expensive.
20. Scientists reported that there is a need to strengthen public sector research in biotechnology. Additionally, the Committee's Round Table on Biotechnology in Cotton met to discuss many of these topics and will report to the Committee at a later time.
21. Researchers reported that planting seed quality standards and the nomenclature used to describe quality standards differ from country-to-country. The Secretariat will propose a uniform nomenclature to describe planting seed quality for consideration by all countries at the next Plenary Meeting.
22. Scientists who participated in the World Cotton Research Conference-5, voted to create the International Cotton Researchers Association (ICRA). ICRA was incorporated in April 2012. Bylaws have been written, and the Executive Committee has been formed. Additional legal

formalities are being completed to enable the Association to formally initiate its work.

23. The Committee on Cotton Production Research voted to hold the 2013 Technical Seminar on the topic of 'Overcoming the Period of No Growth in Yields.' Papers on modern insights on how to maintain and improve soil fertility will also be invited within the overall theme of the Technical Seminar.

24. Appreciation for the Hospitality of Switzerland: The Committee thanked the people and Government of Switzerland for their hospitality in serving as host of the 71st Plenary Meeting. Delegates commented very favorably on the efficiency of the host country in facilitating the plenary meeting and the personal warmth of the people of Switzerland.

25. Future Plenary Meetings: The Committee has accepted an invitation from the Government of Colombia to host the 72nd Plenary Meeting during September 29 to October 4, 2013 in the city of Cartagena.

26. MEMBER GOVERNMENTS

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

SUPPLY AND DISTRIBUTION OF COTTON

October 9, 2012

Seasons begin on August 1

	2007/08	2008/09	2009/10	2010/11	2011/12 Est.	2012/13 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	12.806	12.257	11.939	8.632	9.458	13.97
CHINA	3.653	3.321	3.585	2.688	2.087	6.19
USA	2.064	2.188	1.380	0.642	0.566	0.73
PRODUCTION*						
WORLD TOTAL	26.073	23.455	22.163	25.221	27.282	25.63
CHINA	8.071	8.025	6.925	6.400	7.400	6.86
INDIA	5.219	4.930	5.185	5.865	6.001	5.56
USA	4.182	2.790	2.654	3.942	3.391	3.73
PAKISTAN	1.900	1.926	2.070	1.907	2.294	2.15
BRAZIL	1.602	1.214	1.194	1.960	1.884	1.49
UZBEKISTAN	1.206	1.000	0.850	0.910	0.880	0.90
OTHERS	3.894	3.569	3.285	4.237	5.432	4.95
CONSUMPTION*						
WORLD TOTAL	26.687	23.817	25.470	24.445	22.742	23.46
CHINA	10.900	9.265	10.192	9.580	8.635	8.59
INDIA	4.053	3.872	4.300	4.509	4.345	4.69
PAKISTAN	2.649	2.519	2.393	2.100	2.163	2.34
EAST ASIA & AUSTRALIA	1.889	1.714	1.892	1.796	1.666	1.80
EUROPE & TURKEY	1.747	1.413	1.550	1.499	1.445	1.51
BRAZIL	0.993	1.000	1.024	0.958	0.888	0.90
USA	0.998	0.771	0.773	0.849	0.718	0.74
CIS	0.664	0.596	0.604	0.570	0.553	0.57
OTHERS	2.794	2.666	2.743	2.583	2.329	2.33
EXPORTS						
WORLD TOTAL	8.465	6.609	7.805	7.625	9.707	7.62
USA	2.968	2.887	2.621	3.130	2.526	2.46
INDIA	1.630	0.515	1.420	1.085	2.295	0.71
AUSTRALIA	0.265	0.261	0.460	0.545	1.035	0.82
BRAZIL	0.486	0.596	0.433	0.435	1.043	0.67
UZBEKISTAN	0.915	0.650	0.820	0.600	0.532	0.57
CFA ZONE	0.603	0.469	0.560	0.476	0.578	0.73
IMPORTS						
WORLD TOTAL	8.536	6.647	7.928	7.725	9.667	7.62
CHINA	2.511	1.523	2.374	2.609	5.342	2.54
EAST ASIA & AUSTRALIA	1.928	1.714	1.989	1.825	1.849	2.01
EUROPE & TURKEY	1.081	0.862	1.170	0.972	0.711	0.96
PAKISTAN	0.851	0.417	0.342	0.314	0.195	0.40
CIS	0.267	0.231	0.209	0.132	0.129	0.12
TRADE IMBALANCE 1/	0.071	0.038	0.123	0.100	-0.040	0.00
STOCKS ADJUSTMENT 2/	-0.005	0.007	-0.122	-0.051	0.013	0.00
ENDING STOCKS						
WORLD TOTAL	12.257	11.939	8.632	9.458	13.970	16.14
CHINA	3.321	3.585	2.688	2.087	6.188	6.99
USA	2.188	1.380	0.642	0.566	0.729	1.25
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	57	57	39	50	55	62
CHINA 4/	30	39	26	22	72	81
COTLOOK A INDEX 5/	72.90	61.20	77.54	164.26	100	

1/ 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.

2/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated.

3/ World-less-China's ending stocks divided by World-less-China's mill use, multiplied by 100.

4/ China's ending stocks divided by China's mill use, multiplied by 100.

5/ U.S. cents per pound.

* Turkey's production and consumption estimates are currently under review within the Secretariat.