

## STATEMENT OF THE 56<sup>TH</sup> PLENARY MEETING

The International Cotton Advisory Committee, the intergovernmental forum for discussion of matters related to cotton, met in Asuncion, Paraguay, from October 27 to 31, 1997, in its 56<sup>th</sup> Plenary Meeting since the Committee was established in 1939. 32 member countries were represented. Representatives of 4 non-member countries and 5 international organizations participated as observers. Over 300 persons attended the meeting. The Committee approved the following statement:

1. World cotton production and consumption are rising in 1997/98, with production approaching an estimated 20 million tons and consumption forecast to reach a record 19.5 million tons (Annex I). Increases in the supply of cotton in many countries and relatively rapid world economic growth are contributing to the rise in cotton use.
2. World cotton trade in 1996/97 was six million tons, unchanged from 1995/96. However, world trade is forecast to decline in 1997/98. A 3% increase in world consumption during 1996/97 did not result in increased trade because most of the gain in cotton use occurred in cotton producing countries. A similar pattern is expected in the current season, and world cotton imports as a share of cotton consumption are expected to fall from 32% in 1996/97 to 29%.
3. The Cotlook A Index, an indicator of world cotton prices, was stable last season and remained above the long run average of 74 cents per pound. According to estimates prepared by the Secretariat, the world cotton market is expected to remain essentially balanced in the current season, and the 1997/98 average Cotlook A Index is not expected to differ significantly from the 1996/97 average of 79 cents per pound. However, rising stocks and a reduction in world trade may eventually lead to lower world cotton prices.
4. There are concerns in the cotton industry regarding the lack of progress in raising yields over the last five seasons. The world cotton yield did not increase between 1991/92 and 1996/97, the first five-year period since the 1940s in which the world yield did not reach a new record.
5. The International Cotton Advisory Committee notes the decline in cotton's share of the world fiber market by 0.5% to 44.7% in 1996 and by more than four percentage points since 1990. The Committee resolved to encourage all efforts to accelerate the increase in cotton consumption. To contribute to these efforts, the ICAC will offer the services of its Secretariat, including the provision of statistics, contacts with government, country analyses, provision of office facilities and any other initiatives that the Secretariat can perform within its resources.

Furthermore, to arrest the decline in cotton's market share, the International Cotton Advisory Committee will take steps to:

- Encourage the private sector to develop plans to increase world cotton consumption, as well as efforts by governments of individual member countries, at their discretion, to provide support to such plans.
  - Through dissemination of information and encouragement of research, encourage
    - All means possible to increase cotton yields.
    - Work to improve cotton varieties and cotton ginning to produce cotton with fiber properties more suitable for the modern textile industry.
    - Work for the reduction of contamination of cotton with foreign material.
    - Efforts to reduce the incidence and impact of stickiness on cotton lint.
    - Efforts to develop spinning and weaving systems that will increase cotton competitiveness.
  - Urge governments to improve market access in their own countries for cotton and cotton products as well as to work together to improve market access around the world, all within the framework of relevant international agreements.
  - Monitor, discuss and disseminate information about these efforts.
6. To assist member governments and the cotton sectors in their respective countries, the Committee is providing a checklist of possible steps which can be taken to improve cotton's competitiveness (Annex II). Member governments are invited to report to the 57<sup>th</sup> Plenary Meeting on their efforts and the progress which has been made.
  7. The Committee held discussions on developments in cotton production, use and trade in Mercosur, and noted the growing integration of the economies of the region. The Committee heard reports on the reactivation of cotton production in Paraguay and on expectations for substantial increases in output in both Argentina and Brazil.
  8. The potential of futures and options trading as risk management tools was explained. The Committee heard presentations regarding the use of these tools in Australia and on the opportunities for utilizing a Southern Hemisphere futures contract operated by the Bolsa de Mercadorias & Futuros in Sao Paulo.
  9. Some delegates noted that implicit or explicit subsidies by some countries were altering efficient world production, industrialization and trade. Member countries called for the elimination of subsidies and unfair trade practices through the whole cotton production, transformation and marketing chain.

**Annex I**  
**SUPPLY AND DISTRIBUTION OF COTTON**  
**31 October 1997**

Years Beginning August 1

	1993	1994	1995	1996 Est.	1997 Proj.	1998 Proj.
Million Metric Tons						
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>8.598</b>	<b>6.909</b>	<b>7.270</b>	<b>8.683</b>	<b>9.30</b>	<b>9.82</b>
CHINA (MAINLAND)	2.953	2.102	2.788	3.714	4.10	4.00
USA	1.015	0.769	0.577	0.568	0.86	1.05
NET EXPORTERS	3.906	3.194	2.898	3.399	3.76	4.40
NET IMPORTERS <sup>1</sup>	4.692	3.716	4.372	5.284	5.55	5.42
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>16.889</b>	<b>18.701</b>	<b>20.267</b>	<b>19.566</b>	<b>20.03</b>	<b>19.77</b>
CHINA (MAINLAND)	3.739	4.342	4.767	4.203	4.20	4.00
USA	3.513	4.281	3.897	4.124	4.01	3.97
INDIA	2.095	2.355	2.754	3.000	2.80	2.71
PAKISTAN	1.368	1.479	1.886	1.615	1.90	1.86
UZBEKISTAN	1.358	1.248	1.254	1.062	1.25	1.20
TURKEY	0.602	0.628	0.851	0.784	0.73	0.80
OTHERS	4.214	4.369	4.857	4.777	5.14	5.23
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>18.534</b>	<b>18.559</b>	<b>18.638</b>	<b>19.194</b>	<b>19.50</b>	<b>19.81</b>
CHINA (MAINLAND)	4.600	4.500	4.500	4.600	4.70	4.70
INDIA	2.160	2.279	2.536	2.797	2.87	2.92
USA	2.268	2.438	2.318	2.422	2.43	2.43
EAST ASIA & AUSTRALIA	2.299	2.189	2.217	2.162	2.03	2.01
EU & TURKEY	1.898	2.050	2.036	2.102	2.12	2.22
PAKISTAN	1.583	1.508	1.602	1.530	1.60	1.65
E. EUR. & FORMER USSR	1.089	0.956	0.750	0.768	0.83	0.84
BRAZIL	0.834	0.818	0.817	0.800	0.75	0.78
OTHERS	1.802	1.821	1.862	2.012	2.17	2.27
<b>EXPORTS</b>						
<b>WORLD TOTAL</b>	<b>5.917</b>	<b>6.305</b>	<b>6.029</b>	<b>5.958</b>	<b>5.65</b>	<b>5.85</b>
USA	1.494	2.047	1.671	1.495	1.40	1.48
UZBEKISTAN	1.288	1.250	0.940	1.042	1.05	1.05
FRANCOPHONE AFRICA	0.520	0.614	0.618	0.735	0.82	0.79
AUSTRALIA	0.367	0.293	0.308	0.530	0.52	0.52
ARGENTINA	0.069	0.208	0.266	0.285	0.25	0.26
GREECE	0.175	0.265	0.325	0.192	0.19	0.22
CHINA (MAINLAND)	0.166	0.040	0.005	0.002	0.00	0.02
<b>IMPORTS</b>						
<b>WORLD TOTAL</b>	<b>5.765</b>	<b>6.536</b>	<b>5.883</b>	<b>6.108</b>	<b>5.65</b>	<b>5.85</b>
EAST ASIA & AUSTRALIA	2.225	2.140	2.181	2.063	1.95	1.94
EU & TURKEY	1.231	1.250	1.140	1.243	1.28	1.35
CHINA (MAINLAND)	0.176	0.884	0.663	0.787	0.40	0.25
E. EUR. & FORMER USSR	0.840	0.847	0.603	0.547	0.62	0.63
SOUTH AMERICA	0.542	0.477	0.512	0.573	0.50	0.51
<b>TRADE IMBALANCE <sup>2</sup></b>	<b>-0.152</b>	<b>0.231</b>	<b>-0.147</b>	<b>0.150</b>	<b>0.00</b>	<b>0.00</b>
<b>STOCKS ADJUSTMENT <sup>3</sup></b>	<b>0.108</b>	<b>-0.012</b>	<b>-0.070</b>	<b>0.100</b>	<b>-0.01</b>	<b>-0.01</b>
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>6.909</b>	<b>7.270</b>	<b>8.683</b>	<b>9.305</b>	<b>9.82</b>	<b>9.76</b>
CHINA (MAINLAND)	2.102	2.788	3.714	4.101	4.00	3.53
USA	0.769	0.577	0.568	0.865	1.05	1.12
NET EXPORTERS	3.194	2.898	3.399	3.755	4.40	4.82
NET IMPORTERS <sup>1</sup>	3.716	4.372	5.284	5.550	5.42	4.94
<b>ENDING STOCKS/USE <sup>4</sup></b>	<b>0.35</b>	<b>0.38</b>	<b>0.40</b>	<b>0.41</b>	<b>0.42</b>	<b>0.43</b>
<b>COTLOOK A INDEX <sup>5</sup></b>	<b>70.60</b>	<b>94.30</b>	<b>85.61</b>	<b>78.60</b>	<b>79*</b>	<b>75*</b>

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

<sup>2</sup> 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.

<sup>3</sup> Difference between calculated stocks and actual; amounts for forward seasons are anticipatory

<sup>4</sup> World-less-China (Mainland) ending stocks minus China net exports, quantity divided by world-less-China consumption

<sup>5</sup> U.S. Cents per pound. The model result for 1997/98 is based on net China (Mainland) trade, ratios of world-less-China (Mainland) ending stocks to use, barter sales from Central Asia, and futures prices. The estimate for 1998/99 is based on net China (Mainland) trade and world-less-China (Mainland) ending stocks to use. The estimate for 1994/95 is adjusted for quotes during June and July.

\* 95% confidence intervals extend 9 cents per pound for 1997/98 and 15 cents for 1998/99 above and below each point estimate.

10. The Committee asked all member governments to work for the continuation of the FAO Survey of World Apparel Fibre Consumption, which is the only source of fiber use information at the level of the final consumer. These data are crucial to measuring the competitiveness of cotton and gauging the size of the cotton market. Members are requested to contact their representatives at FAO to urge reinstatement of the Survey. All other avenues to continue the work should also be investigated.

11. The Second World Cotton Research Conference will be held in Athens, Greece, September 6-12, 1998, under the sponsorship of the Committee, the Hellenic Cotton Board, FAO, CIRAD-CA, Natural Resources Institute of the United Kingdom, the Ministry of Agriculture of Greece and the National Agricultural Research Foundation of Greece. The theme of the Conference will be New Frontiers in Cotton Production Research. It is expected that over 500 cotton researchers will attend.

12. The Committee recognized the assistance of the Common Fund for Commodities in working toward the solution of a number of critical cotton problems. The Committee held a technical seminar to disseminate the initial results of projects currently in progress on control of whitefly, the cotton boll weevil, leaf curl virus and stickiness in cotton. In 1998, the technical seminar will present a summary of the findings of the World Cotton Research Conference-2 and will also concentrate on the topic, Effectively Addressing Cotton Contamination.

13. The 57<sup>th</sup> Plenary Meeting of the Committee will be held in Santa Cruz de la Sierra, Bolivia, in the week of October 12-16, 1998. The Committee accepted the invitations of Australia, Zimbabwe and Egypt to hold plenary meetings in 2000, 2001 and 2002.

14. The Committee welcomed the recent accession of Azerbaijan, Burkina Faso and Mali and their participation in the work of the Committee. Other countries were invited to join the Committee and share in its work to keep the world cotton economy strong.

## Annex II

The following guidelines are offered to governments and the cotton sectors in member countries as possible measures to be adopted as ways to recover cotton's share of the fiber market:

### 1. Reducing the Cost of Production

- a. Reducing the cost of nutrition by shifting emphasis on organic manures and bio-fertilizers to minimize environmental degradation.
- b. Shorten cotton's crop duration to 4 1/2 to 5 months from the present 5 to 7 1/2 months.
- c. Breed pest/disease resistant cottons through conventional breeding and by developing transgenic cotton.
- d. Accelerate spread of integrated pest management practices through specific programs/campaigns.
- e. Exploit hybrid technology.
- f. Improve ginning outturn to a higher range of 35 to 40%.

### 2. Making Quality Meet Demand

Cotton's fiber properties do not fully match those of synthetics. Therefore

- a. Cotton's fiber properties should be improved for better strength, uniformity and maturity.
- b. Cotton picking, handling and processing should receive greater care and attention in order to minimize contamination.

### 3. Moderate Price Volatility

To minimize price fluctuations which are detrimental to producers and consumers

- a. Spread improved production technology with emphasis on soil and water management, to minimize the influence of adverse weather conditions.
- b. Increase irrigated cotton when agronomic and ecological conditions allow.
- c. Apply risk management tools.
- d. Avoid the implementation of policies that distort markets.

### 4. Promote Cotton

- a. Introduce promotional campaigns for cotton at the retail level.
- b. Emphasize the advantages of cotton vis-a-vis man-made fibers and influence the ultimate consumer towards cotton through
  - (1) Emphasis on favorable wearing comfort.
  - (2) Emphasis on moisture absorbency.
  - (3) Stress on cotton as a renewable resource.
- c. Profit from experience of other countries who promote cotton.
- d. Develop manufacturing processes that increase cotton's competitiveness.