



# INTERNATIONAL COTTON ADVISORY COMMITTEE

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## Statement of the 60<sup>th</sup> Plenary Meeting

### “Cotton: An African Renaissance”

Cotton and cotton textile industries serve as engines of economic growth in both developed and developing countries, and a renaissance in cotton production is occurring in many countries. Many governments recognize that the expansion of cotton production can increase a country's export earnings and can be a major factor in the social and economic development of rural areas.

The International Cotton Advisory Committee met in Victoria Falls, Zimbabwe, during September 16-21, 2001 for its 60<sup>th</sup> Plenary Meeting since 1939. Representatives from 39 governments and five international organizations participated in the meeting. At the start of its meeting the Committee observed a moment of silence in honor of those harmed by the terrorist attacks on 11 September in the USA. The Committee approved the following statement:

1. According to estimates by the Secretariat, world cotton production is rising to a record of almost 21 million tons in 2001/02, even though international cotton prices were considerably below the long-term average during the past three seasons (Annex I). Cotton production is rising despite low prices because of structural changes including improved technology, the expansion of cotton into new producing areas, the strength of the U.S. dollar that has mitigated the decline in prices for some producers and government measures that protect farmers in some countries from falling prices.

2. The world economy is decelerating and cotton consumption is forecast to increase by only 1% to reach approximately 20 million tons in 2001/02. Therefore, world ending stocks are anticipated to rise by nearly one million tons. The outlook for slow growth in demand combined with a rising supply implies that a recovery in prices to average levels is unlikely soon. Projections by the Secretariat suggest that the average world cotton price this season will fall to its lowest level since 1972/73. The level of pain caused to producers and export-dependent countries by the decline in prices has been severe.

3. The Committee noted that good trade practices include the settlement of disputes that inevitably arise in international commercial transactions through a legal process of arbitration, and that some parties to contracts fail to abide by arbitral decision. Therefore, in order to bolster confidence in the cotton trading system and to improve the efficiency of the world cotton market, the ICAC urges member governments to:

Encourage good trade practices and support the principle of the sanctity of contracts, and to

Encourage their industries to abide by both the spirit and the letter of arbitration arrangements, and

Make valid arbitral awards enforceable under member countries' laws.

4. The Committee acknowledged that while there are many challenges facing the world's cotton industry, none is greater than competition from chemical fibers. The Committee applauded the creation of the International Forum for Cotton Promotion (IFCP), an initiative focused upon national programs to increase cotton consumption. The Forum will facilitate the development of national information campaigns about cotton and cotton products. The Forum will serve as a clearinghouse for information about fiber demand, proven techniques of cotton promotion, best practices in retail level communication, cost effective measures of boosting consumer demand and market research. Member governments noted that the International Forum for Cotton Promotion could serve as an example of how cooperation within the cotton industry can rapidly translate into programs to address challenges.

5. The subject of government measures that distort production and trade in cotton is of concern to many governments. A number of member governments noted that subsidies and trade barriers in some countries contribute to price volatility and impact adversely the level of cotton production in other countries. Member governments noted that barriers to trade in cotton and cotton textiles hinder economic development, and a number of governments expressed the view that subsidies lower world cotton prices and cause the burden of adjustment to lower cotton prices to fall heavily on producers in countries with limited or no government support. The Committee expressed appreciation for the ongoing efforts made by the EU to reduce subsidies that distort cotton production, and noted that cotton area in the EU is being affected accordingly. Nevertheless, it was noted that in the majority of countries distortions appear to have the effect of increasing the area planted to cotton in countries enjoying forms of support while the area planted to cotton is falling in countries where there is no such support. Therefore, the ICAC urges member countries to:

Adopt policies to reduce and eventually eliminate the negative effects on trade caused by direct government assistance to cotton production and trade implemented by some countries, and to

Encourage the WTO to urgently consider trade distortions on the world market caused by measures taken by some governments, and to

Advise their WTO negotiators to move forward with constructive proposals to reduce the trade and production distortions caused by policies implemented by some governments.

The Committee agreed to the establishment of a Working Group under the direction of the Chair of the Standing Committee with the mission of identifying effective strategies to reduce and eventually eliminate the negative effects on trade caused by direct government assistance to cotton production and trade. The Working Group will report on progress made by countries on the reduction and eventual elimination of such trade distorting practices prior to the 61<sup>st</sup> Plenary Meeting in 2002.

6. The Committee noted that the use of genetically engineered (GE) cottonseeds by farmers was expanding rapidly worldwide because the use of GE cotton dramatically lowers the need for pesticides used in the production process. The Committee observed that the use of biotechnology is becoming an intrinsic component of the cotton production system in many countries and that governments have an interest in promoting regulation of biotechnology in cotton based on sound science. The ICAC noted that small farmers with low yields due to poor pest control stand to benefit the most from the adoption of GE varieties, though the cost of GE technology may be prohibitive to smallholders. The Committee acknowledges that a preponderance of available evidence suggests that the use of GE cotton varieties is safe. Nevertheless, the Committee acknowledged that many governments and consumers do not approve of the use of biotechnology in agriculture and do not wish to accept biotechnology products.

7. The Committee received reports on how best to encourage improvements in cotton quality through improvements in cotton ginning and how to expand mill use of cotton in developing countries. The primary recommendation in each report was to encourage member countries to eliminate barriers to imports of machinery and replacement parts used in ginning and cotton spinning. The Committee instructed the Secretariat to consider the implications of this recommendation and to report the results to the Standing Committee. The Committee directed that a project or study be completed to advise and assist member countries, in particular developing member states, in the development and implementation of sound industrial policies that result in and promote increased domestic consumption of cotton through value added processes or programs.

8. The Committee received a report from its Expert Panel on Ginning Methods. The Expert Panel recommended that governments work to revise cotton standards to reflect spinning qualities valued by the textile industry, and the Expert Panel urged governments to ensure that training opportunities are available to managers and employees of gins to ensure that best practices are widely known and followed. The Committee instructed the Secretariat to provide guidance on how these recommendations could best be implemented.

9. The Committee also heard of successful programs to reduce contamination of cotton in regions where labor-intensive harvesting methods are used. These programs include the distribution of educational material to farmers and ginners, efforts to discourage the use of polypropylene bags in the harvesting process by providing farmers with alternative bags, coupled with the enforcement of price penalties for the delivery of contaminated cotton, and the use of internal checks at gins. The Committee recommended that cotton industries in all countries consider the implementation of similar programs.

10. The Committee discussed methods to improve productivity and quality and reduce costs through integrated crop management practices. Transgenic cotton is becoming an important component of integrated pest management practices, and continued monitoring for environmental impacts is necessary. The seminar proposed ways in which the latest technological developments could be applied economically by smallholders, including group farming and cluster/cooperative farming. The development of host plant resistance and plant monitoring in fields are successfully utilized in many countries and need to be adopted widely. The Committee will hold the 2002 Technical Seminar on the topic "Technology, Management and Processing for Quality Fiber."

11. The Committee again confirmed its commitment to continued support of regional networks and world cotton conferences. The World Cotton Research Conference-3 will be held in Cape Town, South Africa from March 9-13, 2003 and pre-registration is already underway.

12. The most recent cotton project to receive support from the Common Fund for Commodities will develop price risk management instruments for use by producers in Eastern and Southern Africa. The ICAC expressed its appreciation to the 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 nine cotton projects have been approved involving over US\$20 million in grants and loans from the CFC.

13. The Committee engaged in a Round Table discussion with its Private Sector Advisory Panel on the subjects of genetic engineering in cotton, the importance of good trade practices, World Bank development projects and efforts to reduce government measures that distort cotton production and trade. The Committee observed that the ICAC has benefited in concrete and specific ways from the input provided by the PSAP since its creation in 1999, and the service of individual members is much appreciated.

14. The 61<sup>st</sup> Plenary Meeting of the Committee will be held in Cairo, Egypt, during October 20-25, 2002 at the invitation of the Government of Egypt. The Committee has accepted an invitation from the Government of Poland to host the 62<sup>nd</sup> Plenary Meeting during September 7-12, 2003.

**ANNEX I**  
**SUPPLY AND DISTRIBUTION OF COTTON**  
**September 21, 2001**

Years Beginning August 1

	1997	1998	1999	2000	2001	2002
				Est.	Proj.	Proj.
Million Metric Tons						
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>9.457</b>	<b>9.921</b>	<b>9.858</b>	<b>9.019</b>	<b>8.55</b>	<b>9.53</b>
CHINA (MAINLAND)	4.002	4.299	4.130	2.820	2.20	2.00
USA	0.865	0.846	0.858	0.854	1.22	1.91
NET EXPORTERS	3.920	4.022	4.123	4.400	4.53	5.70
NET IMPORTERS 1/	5.537	5.900	5.735	4.619	4.02	3.83
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>20.037</b>	<b>18.697</b>	<b>19.081</b>	<b>19.323</b>	<b>20.85</b>	<b>20.08</b>
CHINA (MAINLAND)	4.602	4.501	3.829	4.420	4.80	4.58
USA	4.092	3.030	3.694	3.742	4.36	3.83
INDIA	2.686	2.805	2.652	2.384	2.79	2.76
PAKISTAN	1.561	1.494	1.911	1.802	1.82	1.68
UZBEKISTAN	1.139	1.000	1.128	0.963	0.97	0.95
TURKEY	0.838	0.871	0.791	0.880	0.90	0.92
OTHERS	5.120	4.996	5.076	5.131	5.23	5.34
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>19.344</b>	<b>18.886</b>	<b>19.804</b>	<b>19.730</b>	<b>19.91</b>	<b>20.17</b>
CHINA (MAINLAND)	4.700	4.600	4.800	5.000	5.05	5.13
INDIA	2.760	2.781	2.939	2.873	2.95	2.99
EU, C. EUR. & TURKEY	2.579	2.269	2.456	2.420	2.46	2.49
USA	2.471	2.265	2.230	1.916	1.84	1.80
EAST ASIA & AUSTRALIA	1.922	1.997	2.127	2.105	2.09	2.09
PAKISTAN	1.543	1.625	1.700	1.750	1.80	1.85
BRAZIL	0.783	0.822	0.885	0.900	0.90	0.92
CIS	0.438	0.442	0.542	0.618	0.65	0.68
OTHERS	2.148	2.085	2.126	2.148	2.17	2.22
<b>EXPORTS</b>						
<b>WORLD TOTAL</b>	<b>5.964</b>	<b>5.480</b>	<b>6.136</b>	<b>5.741</b>	<b>5.89</b>	<b>6.23</b>
USA	1.633	0.946	1.470	1.459	1.83	1.96
UZBEKISTAN	1.050	0.900	0.900	0.800	0.70	0.70
FRANCOPHONE AFRICA	0.836	0.839	0.854	0.679	0.81	0.88
AUSTRALIA	0.575	0.660	0.696	0.834	0.61	0.71
GREECE	0.187	0.249	0.300	0.234	0.24	0.23
ARGENTINA	0.217	0.244	0.079	0.105	0.06	0.06
CHINA (MAINLAND)	0.006	0.148	0.368	0.096	0.10	0.10
<b>IMPORTS</b>						
<b>WORLD TOTAL</b>	<b>5.762</b>	<b>5.441</b>	<b>6.082</b>	<b>5.683</b>	<b>5.89</b>	<b>6.23</b>
EAST ASIA & AUSTRALIA	1.793	1.977	2.051	2.010	2.07	2.04
EU, C. EUR. & TURKEY	1.698	1.396	1.673	1.450	1.48	1.43
SOUTH AMERICA	0.581	0.474	0.545	0.345	0.35	0.35
CIS	0.273	0.263	0.309	0.352	0.35	0.35
CHINA (MAINLAND)	0.402	0.078	0.030	0.053	0.15	0.40
<b>TRADE IMBALANCE 2/</b>	<b>-0.202</b>	<b>-0.039</b>	<b>-0.054</b>	<b>-0.057</b>	<b>0.00</b>	<b>0.00</b>
<b>STOCKS ADJUSTMENT 3/</b>	<b>-0.027</b>	<b>0.165</b>	<b>-0.062</b>	<b>-0.004</b>	<b>0.00</b>	<b>0.00</b>
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>9.921</b>	<b>9.858</b>	<b>9.019</b>	<b>8.550</b>	<b>9.49</b>	<b>9.40</b>
CHINA (MAINLAND)	4.299	4.130	2.820	2.197	2.00	1.75
USA	0.846	0.858	0.854	1.219	1.91	1.98
NET EXPORTERS	4.022	4.123	4.400	4.531	5.66	5.84
NET IMPORTERS 1/	5.900	5.735	4.619	4.019	3.83	3.56
<b>ENDING STOCKS/USE 4/</b>	<b>0.41</b>	<b>0.40</b>	<b>0.39</b>	<b>0.43</b>	<b>0.51</b>	<b>0.53</b>
<b>COTLOOK A INDEX 5/</b>	<b>72.20</b>	<b>58.90</b>	<b>52.80</b>	<b>57.20</b>	<b>47*</b>	<b>50*</b>

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 2001/02 and 2002/03 are based on net China (Mainland) trade and world-less-China (Mainland) ending stock-to-use ratio.

\*/ 95% confidence interval extends 12 cents above and below the point estimate.