



INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702, Washington, DC 20006 USA

Telephone (202) 463-6660 • Fax (202) 463-6950 • email Secretariat@icac.org

Statement of the 62nd Plenary Meeting

“The World of Cotton: Developments and Remedies”

The International Cotton Advisory Committee met in Gdansk, Poland during September 7-12, 2003 for its 62nd Plenary Meeting since 1939. Representatives from 42 governments and 5 international organizations participated in the meeting.

1. According to the Secretariat, historically low cotton prices in real terms in 2001 led to lower world cotton production and higher consumption in 2002/03. As a result, world ending stocks shrank to their lowest level since 1994/95, and average cotton prices rose by approximately one-third. Nevertheless, cotton prices remain below the average level of the 1970s, 1980s and 1990s.

2. According to the Secretariat, world cotton use rose for the fourth consecutive year in 2002 and reached a record of 20.6 million tons, representing a cumulative 4-year gain of 2 million tons, or approximately 10%. Nevertheless, cotton's share of world fiber use fell because of faster growth in the use of competing fibers. A joint study by the Secretariats of FAO and ICAC indicates that cotton's share of retail fiber consumption rose or was steady during the past decade in only a handful of countries, notably including the USA. The largest declines in cotton's market share at the retail level occurred in Asian developing countries that account for more than half of world cotton mill use but only account for a quarter of global final demand.

3. The Secretariat reported that world trade in cotton rose 14% between 2000/01 and 2002/03 and reached a record of 6.6 million tons. Most of the growth in trade resulted from increased imports by cotton producing countries. The Secretariat also reported that cotton produced with genetically engineered (GE) varieties is entering the world textile pipeline in increasing volumes and accounted for 34% of world cotton exports in 2002/03. The Secretariat noted there are no price differentials between genetically engineered and conventionally produced cotton fiber and textiles.

4. The Committee strongly supports a successful outcome to the talks on agriculture and other topics being conducted under the auspices of the WTO. The overwhelming majority of member governments reaffirmed the negative impacts of subsidies and other government measures on cotton production and trade affecting cotton farmers, especially in the developing and least developed countries, and urged that all government measures and subsidies on cotton be removed. The Committee agreed that its views above be communicated to the WTO. It was also acknowledged that the problems of all cotton growers deserve understanding and immediate attention.

5. The Committee urged governments to look for ways to reduce tariffs and non-tariff barriers on cotton textiles and apparel in order to expand trade in cotton products.

6. Boosting consumption of cotton is a strategic challenge facing the cotton industry. World demand for cotton is rising to record levels. Nevertheless, per capita cotton use is at the level of the 1960s. The Committee received reports from specialists in fiber technology on methods of

improving fabric performance using cotton and complementary fibers in blends so as to increase consumer satisfaction. The Committee also heard that per capita consumption of cotton is rising in countries with national programs which provide positive information about cotton to domestic consumers.

7. The Committee was informed of research showing that when consumers are aware of fiber content, they consistently choose cotton products. However, a representative of the International Forum for Cotton Promotion (IFCP) reported that only 59 out of 166 countries surveyed have laws requiring that fiber content be labeled in products sold at retail. Consequently, many consumers are not able to readily identify the fiber content of products offered for sale in their countries, thus inhibiting efforts to boost retail level demand for cotton. Demand enhancement specialists view fiber content labeling as a foundational step in efforts to boost demand for cotton, and there was a consensus that countries should be encouraged to require fiber content labeling of products sold at retail.

8. Improvements in cotton quality and quality measurement are components of an overall strategy of improved industry competitiveness. The Committee received presentations on measurement of short fiber content, stickiness and neps, and concrete information about the costs and logistics of establishing national instrument-based quality evaluation programs. The Committee was informed that instrument-based quality evaluation programs are superior to traditional hand-classing methods.

9. The Committee was informed that defaults on contracts regarding international trade in cotton are a significant problem. The ICAC has previously endorsed the concepts of contract fulfillment and compliance with valid arbitral awards. This year, the Committee also received information on how disputes in international trade in cotton can be avoided through the minimization of quality controversies. The Committee instructed the Secretariat to form an Expert Panel on Instrument Testing of Cotton to explore how best to establish an International Agreement on Instrument Based Cotton Classing to ensure that test results are uniform in all classing laboratories, thus reducing quality disputes in international trade in cotton.

10. The Committee on Cotton Production Research organized a technical seminar on the topic of the effects of advances in processing techniques on demand for quality cotton. Researchers reported that the adoption of recommended technologies and the development of high yielding varieties are contributing to significant improvements in cotton yields and fiber quality, and it was reported that instrument-based classification of cotton results in increased prices. However, it was reported that stickiness and contamination continue to be serious problems in the cotton industry, and classification systems to quantify stickiness and contamination need to be introduced so that market premiums and discounts can provide incentives for the reduction of these problems. Researchers suggested that cotton breeders should develop varieties that meet the needs of open-end and compact spinning systems. The Committee will hold the 2004 Technical Seminar on the topic "How to Improve Yields and Reduce Pesticide Use."

11. The World Cotton Research Conference-3 was held in Cape Town, South Africa from March 9-13, 2003. 350 delegates from 38 countries and international organizations attended the Conference. The Technical Information Section of the Secretariat assisted with organization of the WCRC-3. 164 papers were presented orally and 83 papers were presented as posters at the Conference. The Committee decided to hold the World Cotton Research Conference-4 in the USA in 2007.

12. The Committee received a report from its Private Sector Advisory Panel. The PSAP identified potential efficiencies in the work of the Secretariat and urged that resulting savings in

resources be devoted to increased educational efforts. The PSAP thanked the Committee for supporting efforts to facilitate national promotion of cotton consumption and called for a stronger emphasis on cotton promotion. The PSAP made recommendations for changes in the format of plenary meetings. The PSAP noted that genetic engineering was transforming the cotton industry by reducing input applications and lowering costs of production, and the PSAP urged governments to work towards the approval of genetically engineered cotton varieties. The Committee instructed the Secretariat to reinstate its Expert Panel on Biotechnology in Cotton to update scientific developments since its last report in 2000. The PSAP urged governments to ensure that valid international arbitral awards are enforceable in their countries. The PSAP urged governments to support a successful outcome to the talks on agriculture and other topics under the auspices of the World Trade Organization to reduce distortions to world trade in cotton caused by government measures.

13. The Committee received a report on the activities of the International Forum for Cotton Promotion and agreed that the work of the IFCP is important and should continue. The Committee noted the need for more to be done by member countries to stimulate domestic demand for cotton. The Committee encouraged national cotton organizations to join the IFCP.

14. The ICAC expressed its appreciation to the Common Fund for Commodities 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 twelve cotton projects have been approved involving over \$21 million in grants and loans from the CFC.

15. The Committee instructed the Standing Committee and the Secretariat to develop strategic plans around the major issues discussed in this Plenary Meeting. The strategic plans will be reviewed annually and used to shape the work plan of the ICAC.

16. The Committee thanked the Government and people of Poland for their hospitality and generosity in serving as host of the 62nd Plenary Meeting. The Committee accepted with great pleasure invitations from the Government of India to host the 63rd Plenary Meeting in Mumbai during 2004 and the Government of the UK to host the 64th Plenary Meeting in Liverpool during 2005.

MEMBER GOVERNMENTS

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