INTERNATIONAL COTTON ADVISORY COMMITTEE
1629 K Street NW, Suite 702, Washington DC 20006 USA
Telephone +1-202-463-6660 • Fax +1-202-463-6950 • email secretariat@icac.org

Discover natural fibres 2009

Statement of the 67th Plenary Meeting

"Technologies for Cotton Development"

The International Cotton Advisory Committee met in Ouagadougou, Burkina Faso during November 17-21, 2008 for its 67th Plenary Meeting since 1939. Four hundred twenty nine people participated in the meeting, including representatives from 35 governments and 9 international organizations.

1. Declines in Cotton Production and Mill Use are Forecast: The Committee accepted a report from the Secretariat that it projects that world cotton mill use will decline in 2008/09 for the first time in a decade. Slower global economic growth and competition with chemical fibers are affecting demand for cotton products. World cotton production is also declining this season, and the Secretariat projects that production will be less than consumption, resulting in a decline in world ending stocks. Despite a tightening of stocks and the rising cost of production, data from the first part of the current season indicate that average cotton prices will fall from the average level of last season. The Secretariat reported that average cotton prices during 2007/08 were higher than market fundamentals suggested they should have been, indicating that increased speculation in cotton futures by companies and individuals not directly involved in the cotton industry and rising prices of other commodities may have influenced cotton prices last season. The Secretariat also noted that there is greater uncertainty about commodity prices and the outlook for the world economy than is usual for this time of year. The Secretariat reported that each price forecast includes a confidence interval based on statistical relationships. The Secretariat urged all market participants to be mindful of this interval when interpreting price forecasts.

2. Biotechnology Transforming the World Cotton Industry: The Committee was informed that cotton varieties developed with the application of biotechnology (biotech, transgenic, bioengineered, genetically modified cotton) accounted for more than half of world production last season, that the biotech proportion continues to grow. Burkina Faso itself is successfully harvesting 10,000 hectares of biotech cotton this season. It was reported that India, with the largest area devoted to cotton in the world, is headed toward an unprecedented sixth consecutive season of increased production after the introduction of biotech varieties in 2002. The Committee was informed that the rapid adoption of biotechnology by farmers since commercial introduction in 1996 indicates that farmers perceive substantial benefits from the use of the technology. The Committee was informed that almost all scientists agree that the technology is safe, and that there is no empirical evidence of consumer rejection of biotech cotton lint. It was noted that the protein produced by Bt cotton that is toxic to certain insects is the same protein that was isolated by scientists from bacteria in the 1950s and is used as a bio-insecticide approved for use in organic production systems.

2.1. Scientists reported that agricultural biotechnology is one of many tools available for improving crop productivity and the environmental sustainability of agriculture. When used appropriately, biotechnology can offer many benefits, including effective control of certain pests, reduced yield losses from insect damage, and reductions in applications of insecticides, resulting in additional income to farmers. Scientists reported that no negative impacts on human health and the environment from the use of biotechnology in cotton have been documented in any country.

2.2. It was reported that one of the main hurdles to the introduction of biotech cotton is that some countries have not established biosafety frameworks needed to regulate testing, distribution and use of such crops. Harmonizing regulations and standards regarding commercialization of biotech products could facilitate enabling environments that give farmers access to these beneficial tools for production enhancement.

3. Technology Transfer Contributes to Industry Development: The Committee agreed that cotton industry development is dependent on the quality of training received by extension agents and farmers. There was an understanding that technology transfer and market advice require a partnership between the public sector, private sector and non-government organizations (NGOs). In a majority of cases, the public sector will have to play a predominant role in developing countries. The Committee was informed that in most cases, Farmer Field Schools combined with demonstration plots, are the most effective form of communication with smallholders.

4. Social, Environmental and Economic Performance of Cotton Production: The Committee received a report from its Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP). The Panel has completed a review of the existing literature on the social impacts of cotton production and has gathered a substantial body of statistics on input use and labor conditions in the cotton industry.

4.1. The Committee agreed that the work of the Panel should continue. It was agreed that the Panel will prepare a study on the comparable salary, benefit and welfare costs, including housing, transport, schools and other social costs, and taxes associated with cotton production. The Panel will also expand efforts to gather objective information about the impacts of biotech cotton so as to provide fact-based information to governments. It was agreed that the Panel was asked to study the evolution of labor practices associated with cotton production in light of recent technological developments. It was also agreed that the Panel will discuss approaches and best practices in minimizing negative social impacts in cotton cultivation with other organizations striving for improved cotton production practices, with the objective of harmonizing the social standards and recommendations being developed. The Panel noted its financial limitations and stated that it will formulate budgets for these items and seek guidance from the Standing Committee to prioritize their work.

4.2. The Committee took note of the recommendation from the Panel to improve national efforts to gather and report objective information about cotton production practices and input use as regards conventional and biotech cotton, taking into account the diversity of social traditions. The Committee noted that cotton production provides sustainable economic opportunities to millions of people, and that the negative impacts of cotton production must be put in context with the benefits. The Committee received a preliminary report on green house gas emissions and sequestration associated with cotton production and processing and urged that more information be gathered. The Committee appreciated the work of the various programs providing assistance to the cotton industry, and urged that such efforts continue.

4.3. The Committee agreed that the challenges of sustainable production faced by smallholder producers were sufficiently distinct that the Panel should study the specific roles of governments and the private sector in ensuring the social, economic and environmental performance of cotton in the smallholder sector. It was agreed that an Open Session devoted to the issues faced by smallholders should be scheduled during the next plenary meeting in South Africa.

5. African Cotton Production Can be Competitive: The Committee observed that cotton has been an economic success story in Sub-Saharan Africa. Cotton is a major source of foreign exchange earnings in more than 15 countries of the continent and is a crucial source of cash income for millions of smallholder farmers and their families. At the same time, cotton is a source of major concern on the continent because of declining production, compounded by unfavorable external factors such as exchange rates and market distortions. The Committee acknowledged the strenuous efforts of governments and the private sector in African countries to ensure long term competitiveness.

6. Urgent Completion of Doha Round Needed: The ICAC Members acknowledged that the consequences of the on-going global financial crisis were having particularly adverse effects on the cotton sector. Members hoped that an early and successful conclusion of the Doha Round would resolve the outstanding issues of the cotton dossier in the Doha Development Agenda (DDA) and help to mitigate the crisis in this sector. Members agreed that an ambitious and balanced outcome to the Doha Round remains a strategic objective of ICAC. The ICAC Members welcomed the leadership provided by the G20 Summit as expressed in the Declaration on Financial Markets and the Global Economy, on 15 November 2008 in Washington D.C., particularly the instruction to Trade Ministers to strive to reach agreement on modalities in 2008.

6.1. The ICAC Members called on WTO Members to engage intensively to achieve modalities this year. They re-affirmed the continued validity of the two-track treatment of cotton in the DDA. They acknowledged the progress made on both the trade policy and the development assistance aspects. They urged WTO Members to act urgently to resolve the outstanding issue of the treatment of the cotton dossier in the domestic support pillar of the agriculture negotiations and to make faster progress on the implementation of the commitments on the development assistance aspects. The Committee took note of the reaffirmation from the representatives of the European Community, India and the United States of their development assistance commitments.

7. The International Forum for Cotton Promotion (IFCP) conducted a breakout session on Cotton Promotion: A Call to Action. The Committee agreed that efforts to build demand contribute to the health of the cotton sector and urged the IFCP to continue its work. The Committee notes the importance of accurate labeling to assure the integrity of cotton products to protect the collective credibility and competitiveness of cotton in world textile markets.

8. International Year of Natural Fibres: Discover Natural Fibres. The Committee noted that the United Nations General Assembly has declared 2009 to be the International Year of Natural Fibres (IYNF). Natural Fiber industries provide employment to hundreds of millions across almost all countries. Natural fibers are renewable, sustainable and economical and provide excellent performance characteristics for consumers. The Committee acknowledged the work of the Food and Agriculture Organization (FAO) of the United Nations in coordinating the IYNF.

9. Appreciation of Burkina Faso Hospitality: The Committee thanked the people, the Government, and the cotton industry of **Burkina Faso** for their hospitality, generosity and excellent organization in serving as host of the 67th Plenary Meeting.

10. Future Plenary Meetings: The Committee welcomed and accepted the invitation from the Government of South Africa to host the 68th Plenary Meeting in the city of Cape Town during 7-11 September 2009. An invitation to host the 69th Plenary Meeting in Uzbekistan during 12-16 October 2010 was received.

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, Kenya, Republic of Korea, Mali, Netherlands, Nigeria, Pakistan, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United Kingdom, United States of America, Uzbekistan, Zambia, Zimbabwe.

INTERNATIONAL COTTON ADVISORY COMMITTEE
1629 K Street NW, Suite 702, Washington DC 20006 USA
Telephone +1-202-292-1687 • Fax +1-202-463-6950 • email: rafiq@icac.org

Statement of the 67th Plenary Meeting

Technologies for Cotton Development

Committee on Cotton Production Research

The International Cotton Advisory Committee met in Ouagadougou, Burkina Faso during November 17-21, 2008 for its 67th Plenary Meeting since 1939. 429 people participated in the meeting, including representatives from 35 governments and 9 international organizations.

1. The Committee on Cotton Production Research of the ICAC organized a Technical Seminar on **Improving Sustainability of Cotton Production in Africa** on November 20, 2008. Six papers were presented by researchers from six countries. Researchers reviewed the current situation and offered solutions for improving the profitability of cotton production in Africa. African countries are confronted with several problems, including stagnation in yields, deteriorating soil fertility, low and inefficient use of inputs, increasing costs of production, a long term decline in the real price of cotton and rising demand for food crops.

2. The Committee was informed that Central and West African countries faced a serious problem of resistance to insecticides during the 1990s. However, cotton companies, researchers and growers cooperated to devise a 'two-and three-window' insecticide application program that successfully tackled the resistance problem. The program is effective in controlling insects while reducing the use of insecticides on cotton.

3. About 150,000 tons of certified organic cotton was produced in the world in 2007/08. Organic cotton production is an environmentally friendly system. However to be sustainable, it must also result in acceptable yields, quality, costs, and prices. Organic production practices are as technically complex as conventional production practices and require extensive research and training for successful implementation.

4. The speakers during the technical seminar highlighted the need to improve quality in order to increase the profitability of African cotton production. Better quality brings better prices, thus improving gross income for farmers. However, researchers also advised that it is necessary to find ways to lower the cost of production through optimum use of inputs, adoption of newer technologies and efficient use of labor. A number of speakers noted that contamination could be reduced through coordinated efforts by farmers and ginners, as has been experienced in Mali.

5. The ICAC will honor a distinguished cotton researcher each year beginning in 2009. A panel of five anonymous judges from four countries has been constituted, and a procedure to select the distinguished researcher has been formulated. Researchers may apply on line from the ICAC web page. The selected researcher will be recognized as the "ICAC Researcher of the Year".

6. The Committee on Cotton Production Research decided to hold the 2009 Technical Seminar on the topic "Biosafety Regulations, Implementation and Consumer Acceptance."

ANNEX 1

ICAC

SUPPLY AND DISTRIBUTION OF COTTON

November 20, 2008

Years Beginning August 1

	2004	2005	2006	2007 Est.	2008 Proj.	2009 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	**8.752**	**11.676**	**12.257**	**12.520**	**12.26**	**11.83**
CHINA (MAINLAND)	2.449	2.622	3.991	3.653	3.33	3.11
USA	0.751	1.196	1.321	2.064	2.19	1.50
PRODUCTION						
WORLD TOTAL	**27.011**	**25.529**	**26.636**	**26.243**	**24.65**	**24.31**
CHINA (MAINLAND)	7.085	6.616	7.975	8.078	8.00	7.77
INDIA	4.131	4.097	4.760	5.355	5.46	5.35
USA	5.062	5.201	4.700	4.182	2.95	2.88
PAKISTAN	2.439	2.089	2.070	1.845	1.91	1.95
BRAZIL	1.299	1.038	1.524	1.603	1.41	1.42
UZBEKISTAN	1.134	1.210	1.171	1.206	1.14	1.12
OTHERS	5.861	5.278	4.436	3.975	3.78	3.82
CONSUMPTION						
WORLD TOTAL	**23.711**	**25.047**	**26.487**	**26.370**	**25.09**	**25.04**
CHINA (MAINLAND)	8.300	9.439	10.600	10.900	10.20	10.28
INDIA	3.265	3.655	3.932	4.011	3.93	3.96
PAKISTAN	2.326	2.532	2.654	2.574	2.48	2.48
EU, C. EUR. & TURKEY	2.333	2.134	2.104	1.801	1.56	1.48
EAST ASIA & AUSTRALIA	1.988	1.885	1.872	1.832	1.78	1.76
USA	1.457	1.278	1.074	1.003	0.95	0.92
BRAZIL	0.938	0.969	0.996	0.996	0.98	0.93
CIS	0.613	0.633	0.682	0.664	0.64	0.66
OTHERS	2.491	2.521	2.573	2.589	2.57	2.57
EXPORTS						
WORLD TOTAL	**7.764**	**9.745**	**8.121**	**8.343**	**7.53**	**7.65**
USA	3.143	3.821	2.833	2.973	2.68	2.25
INDIA	0.136	0.751	0.960	1.500	1.28	1.55
UZBEKISTAN	0.850	1.020	0.980	0.887	0.85	0.85
CFA ZONE	0.934	1.010	0.931	0.601	0.51	0.57
BRAZIL	0.339	0.429	0.283	0.486	0.46	0.58
AUSTRALIA	0.435	0.628	0.465	0.265	0.23	0.30
IMPORTS						
WORLD TOTAL	**7.476**	**9.723**	**8.230**	**8.303**	**7.53**	**7.65**
CHINA (MAINLAND)	1.394	4.200	2.306	2.511	2.00	2.24
EAST ASIA & AUSTRALIA	2.072	1.776	1.902	1.844	1.79	1.76
EU, C. EUR. & TURKEY	1.471	1.310	1.379	1.124	1.02	1.05
PAKISTAN	0.383	0.352	0.502	0.795	0.62	0.57
CIS	0.347	0.333	0.322	0.271	0.25	0.24
TRADE IMBALANCE 1/	**-0.288**	**-0.023**	**0.109**	**-0.039**	**0.00**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.088**	**0.122**	**0.004**	**-0.091**	**0.00**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**11.676**	**12.257**	**12.520**	**12.262**	**11.83**	**11.10**
CHINA (MAINLAND)	2.622	3.991	3.653	3.328	3.11	2.83
USA	1.196	1.321	2.064	2.187	1.50	1.21
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA (M) 3/	**59**	**53**	**56**	**58**	**59**	**56**
CHINA (MAINLAND) 4/	**32**	**42**	**34**	**31**	**31**	**28**
COTLOOK A INDEX 5/	**52.20**	**56.15**	**59.15**	**72.90**	**71***	

1/ Includes Argentina, China (Mainland), Colombia, Mexico, Pakistan, Turkey and traditional importers.
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 (Mainland) ending stocks divided by world-less-China (Mainland)'s mill use, multiplied by 100.
4/ China (Mainland)'s ending stocks divided by China (Mainland)'s mill use, multiplied by 100.
5/ U.S. cents per pound.
* The price projection for 2008/09 is based on the ending stocks/consumption ratio in the world-less-China (Mainland) in 2006/07, in 2007/08 (estimate), and in 2008/09 (projection), and on the ending stocks/consumption ratio in China (Mainland) in 2006/07 and in 2007/08 (estimate).
95% confidence interval: 64 to 79 cents per pound.