



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 66th Plenary Meeting

“Strategies for National Competitiveness”

The International Cotton Advisory Committee met in Izmir, Turkey during October 22-26, 2007 for its 66th Plenary Meeting since 1939. 521 people participated in the meeting, including representatives from 44 governments and 9 international organizations.

1. Record Growth in Demand: The Secretariat estimates that world cotton mill use is increasing for the ninth consecutive season to a record 27 million tons (Annex I). World cotton consumption is estimated to be above production this season, while world production is estimated lower than last season at 26 million tons. Cotton prices are expected to be higher than in recent seasons. Nevertheless, the world price is expected to remain lower than the long-term average, and many countries report that cost pressures remain significant.

2. Urgent Completion of Doha Round Needed: Member Governments reaffirmed that subsidies, tariffs and quotas that distort production and trade reduce cotton prices and lead to negative impacts on cotton farmers and the economies of developing and least developed countries. The successive decreases in international prices have reduced profitability in recent years and have caused a decrease in production in some countries. The Committee called on the WTO and its members to urgently complete the Doha Round of multilateral trade negotiations. A balanced, ambitious and timely conclusion of the Doha Round would contribute to prosperity in the global economy, poverty reduction, and strengthen the rules-based multilateral trading system. The Committee noted that progress will be possible only if developed and developing WTO members are willing to compromise on key issues, including reductions in direct support to agriculture and increases in agricultural and non-agricultural market access. The Committee agreed that a collapse of global trade talks could thwart efforts by developing countries to capitalize on higher world prices for cotton. The Committee noted the outcomes of the WTO 2007 High Level Session on Cotton, which concluded that cotton remains one of the ‘litmus tests’ of the development content of the Doha Round. The Committee understands that there cannot be an outcome in the Doha Round without an outcome on cotton, and there cannot be an outcome on cotton without a conclusion of the Doha Round.

2.1. The Committee acknowledged the Sectoral Initiative on Cotton from the four African countries of Benin, Burkina Faso, Chad, and Mali, supported by the African Union (AU), the African, Caribbean and Pacific countries (ACP) and the least-developed countries. The Committee noted the importance of the Initiative in contributing to solutions to problems involving cotton production. The Committee strongly supported the mandate for the trade and development aspects of the WTO Initiative on Cotton and noted that substantive progress on both is imperative in order to ensure coherent policy treatment, as mandated by WTO Members. The Committee recalled that members of the WTO agreed to treat cotton ambitiously, expeditiously, and specifically. The Committee welcomed the efforts of the WTO Director-General Pascal Lamy to reach a satisfactory resolution of the cotton dossier.

3. Strategies for National Competitiveness: The Committee recognized that competitiveness is market driven. The development of human resources, improvements in quality throughout the

value chain from fiber to apparel, strong research and development efforts and creative marketing strategies are required for competitiveness. Governments can enhance competitiveness in both cotton production, as well as in textile and clothing production, through the observation of social standards and intellectual property rights, the development of a strong investment climate to encourage private initiative and investments in storage, transportation, and communication infrastructure and through support for research and development. The Committee noted that maintaining cotton's competitiveness with synthetic fibers is an important aspect of "Strategies for National Competitiveness". The Committee also noted that demand enhancement efforts can be an important component of such strategies. It was noted that macroeconomic factors, such as trade rules and exchange rates, have significant impacts on national competitiveness. The elimination of subsidies would contribute to international competitiveness. Cotton production can be enhanced with regulations that provide non-distorting incentives for investment in production inputs and with mechanisms for price risk management. It was agreed that the Committee would continue to gather information about current conditions and pragmatic strategies for competitiveness in cotton production and textile and garment manufacturing. The Committee welcomed the news that a National Cotton Council has been formed in Turkey to advance the interests of cotton and implement market-strengthening measures.

4. Cotton Serves as a Sustainable Engine of Economic Development: The Committee heard from the Chair of its Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP). The Panel is collecting information from countries representing diverse farming systems around the world and will report to the Committee in 2008. Countries emphasized the importance of reporting on the legal and social working conditions of those involved in cotton production, together with the related costs per country. Without adequate remuneration, education and a solid social structure, it is difficult to achieve ecological awareness among farmers and to foster good management practices.

5. Industry Standardization Promotes Competitiveness: The Secretariat reported that initiatives toward standardization of instrument testing and the use of standardized trade rules in cotton were moving forward, and that these initiatives are helping the cotton industry lower costs and improve quality in competition with synthetic fibers. The Secretariat reported that the ICAC Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC) began conducting round trials during 2007 to facilitate international standardization of instrument testing and provide diagnostic information to individual testing centers in order to improve performance.

6. The Committee received a report from its **Private Sector Advisory Panel**. The PSAP recognizes the importance of the work of the International Forum for Cotton Promotion (IFCP) and encouraged continued support by the ICAC. The PSAP reported that excess moisture in cotton bales is a growing problem from several origins, and the PSAP recommended that the Secretariat facilitate cooperation with the International Textile Manufacturers Federation (ITMF) to gather information and address the issues of bale moisture measurements, standards and education. The PSAP reviewed the ICAC Strategic Plan. Specific strategies for each goal were reviewed with significant progress noted. The PSAP reaffirmed that the goals of the Strategic Plan remain relevant and strategies are appropriate. The PSAP reported that it believes the ICAC is a globally respected advocate for the cotton industry and a dependable source for factual, unbiased information. The Panel commended member governments for promoting communication and cooperation throughout the world of cotton, and expressed appreciation for the consideration of recommendations from the private sector.

7. The International Forum for Cotton Promotion (IFCP) conducted a breakout session on demand enhancement during the Plenary Meeting. Participants in the session agreed that

building demand enhancement programs through the entire supply chain can increase cotton consumption, and that it is important to understand and influence the consumer at the retail level. The program reaffirmed that the work of the IFCP is important. The Committee agreed that efforts to build demand contribute to the health of the cotton sector and urged that the work of the IFCP continue.

7.1. Members of the IFCP noted that some companies and organizations are making inaccurate negative statements about the social and environmental impacts of cotton production to promote their own interests and products. The IFCP encouraged its members to identify companies and organizations making misleading statements so as to raise awareness of the questionable validity of such claims and to report such companies or organizations to appropriate international and national regulatory institutions.

8. Membership Rising: The Committee welcomed **Kenya** as its newest member and recalled that **Kazakhstan** and **Zambia** had joined in the past year. There are now 44 members of the ICAC. Member governments noted that the ICAC provides public infrastructure in support of the cotton industry that cannot be provided by the private sector, and that the ICAC is an instrument of cooperation and communication to the benefit of all participants in the cotton economy.

9. CFC and EU Support for Cotton Development: The ICAC expressed its appreciation to the Common Fund for Commodities (CFC) for supporting commodity development and acknowledged the benefits to the cotton industry of projects financed by the CFC. Since the Fund became operational in the early 1990s, a total of 19 cotton projects valued at \$63 million have been supported. The ICAC also expressed its appreciation to the European Union (EU) under its All-ACP Support Programme on Agricultural Commodities, for its support of an ICAC/CFC project to assist African countries to implement instrument testing systems.

10. Izmir, The Pearl of the Aegean: The Committee thanked the Government and cotton industry of **Turkey** for their hospitality and generosity in serving as host of the 66th Plenary Meeting, and noted that the city of Izmir deserves its reputation as the Pearl of the Aegean. Countries agreed that Izmir is an excellent location for international events.

11. The efforts of the Secretariat and Organizing Committee in preparing for the plenary meeting were much appreciated.

12. The Committee accepted an invitation from the Government of Burkina Faso to host the 67th Plenary Meeting in the city of Ouagadougou during November 17-21, 2008. An invitation to host the 69th Plenary Meeting in South Africa in 2010 was also accepted.

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

ANNEX I
SUPPLY AND DISTRIBUTION OF COTTON
October 26, 2007

Years Beginning August 1

	2003	2004	2005	2006 Est.	2007 Proj.	2008 Proj.
Million Metric Tons						
BEGINNING STOCKS						
WORLD TOTAL	9.492	8.964	12.138	12.746	13.16	12.15
CHINA (MAINLAND)	2.509	2.465	2.639	4.004	3.76	3.91
USA	1.172	0.751	1.196	1.317	2.06	1.37
PRODUCTION						
WORLD TOTAL	21.135	27.065	25.523	26.751	26.22	27.11
CHINA (MAINLAND)	5.289	7.086	6.612	7.966	7.84	8.13
USA	3.975	5.062	5.201	4.700	3.95	3.74
INDIA	3.043	4.131	4.097	4.760	5.18	5.54
PAKISTAN	1.708	2.482	2.089	2.091	2.37	2.49
UZBEKISTAN	0.893	1.134	1.210	1.171	1.10	1.12
BRAZIL	1.309	1.299	1.038	1.524	1.50	1.54
OTHERS	4.918	5.871	5.276	4.539	4.28	4.55
CONSUMPTION						
WORLD TOTAL	21.739	23.681	24.916	26.320	27.23	27.52
CHINA (MAINLAND)	7.224	8.300	9.439	10.500	11.13	11.46
INDIA	2.987	3.265	3.627	3.990	4.31	4.44
PAKISTAN	2.100	2.331	2.517	2.593	2.67	2.70
EU, C. EUR. & TURKEY	2.294	2.329	2.133	2.161	2.14	1.96
EAST ASIA & AUSTRALIA	1.879	1.988	1.885	1.876	1.83	1.78
USA	1.364	1.457	1.278	1.077	1.00	0.93
BRAZIL	0.875	0.915	0.895	0.900	0.90	0.87
CIS	0.673	0.613	0.633	0.682	0.71	0.73
OTHERS	2.342	2.483	2.508	2.541	2.54	2.63
EXPORTS						
WORLD TOTAL	7.238	7.792	9.861	8.201	8.91	8.54
USA	2.995	3.143	3.928	2.830	3.65	3.07
CFA ZONE	1.059	0.935	1.011	0.933	0.66	0.70
UZBEKISTAN	0.659	0.850	1.020	0.980	0.86	0.84
INDIA	0.119	0.136	0.751	0.960	1.05	1.26
AUSTRALIA	0.470	0.435	0.628	0.487	0.27	0.13
BRAZIL	0.210	0.339	0.429	0.283	0.69	0.76
CHINA (MAINLAND)	0.038	0.007	0.008	0.019	0.02	0.02
IMPORTS						
WORLD TOTAL	7.412	7.474	9.715	8.225	8.91	8.54
CHINA (MAINLAND)	1.929	1.394	4.200	2.306	3.47	3.40
EAST ASIA & AUSTRALIA	1.700	2.072	1.776	1.908	1.74	1.71
EU, C. EUR. & TURKEY	1.267	1.468	1.307	1.378	1.32	1.22
CIS	0.313	0.347	0.333	0.322	0.31	0.30
SOUTH AMERICA	0.303	0.216	0.253	0.309	0.26	0.25
TRADE IMBALANCE 1/	0.174	-0.318	-0.146	0.024	0.00	0.00
STOCKS ADJUSTMENT 2/	-0.098	0.109	0.147	-0.040	0.00	0.00
ENDING STOCKS						
WORLD TOTAL	8.964	12.138	12.746	13.161	12.15	11.75
CHINA (MAINLAND)	2.465	2.639	4.004	3.757	3.91	3.96
USA	0.751	1.196	1.317	2.063	1.37	1.10
ENDING STOCKS/USE (%)						
WORLD-LESS-CHINA (M) 3/	45	62	56	59	51	49
CHINA (MAINLAND) 4/	34	32	42	36	35	35
COTLOOK A INDEX 5/	68.30	52.20	56.15	59.15	68*	

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 2007/08 is based on the ending stocks/mill use ratio in the World-less-China (M) in 05/06 and 06/07 (estimate) and 2007/08 (projection), and on the ending stocks/mill use ratio in China (M) in 05/06 and 06/07 (estimate).

95% confidence interval based on current estimates of supply, use and stocks: 61 to 76 cents per pound.



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The International Cotton Advisory Committee met in Izmir, Turkey during October 22-26, 2007 for its 66th Plenary Meeting since 1939. 521 people participated in the meeting, including representatives from 44 governments and 9 international organizations.

1. The Committee on Cotton Production Research organized a Technical Seminar on **The Vision for Technology in 2025**. The participating scientists believe that cotton production practices will change drastically in the next two decades. Climate change through global warming may increase photosynthesis, leading to increased vegetative growth in cotton but not necessarily resulting in greater production of lint. Global warming may increase salt concentrations in soils, thus changing nutrient availability. Insects may spread to more areas, diseases may become more common and crop management will become more complicated. The cost of production may continue to rise, and the development of new technologies may be crucial. Environmental regulations may become stricter, possibly resulting in higher costs to produce cotton. Agricultural policies, domestic and international, may tend to be complicated and far-reaching. Cotton growers may have to make many strategic business decisions because of climate change.

2. The participating scientists believe that many challenges will be met through better decision support systems, the development of varieties with higher host plant tolerance and the development of short duration varieties to save labor and inputs. New varieties may not always be higher yielding. Stronger regulation of breeding programs could delay the development and commercial release of new varieties. Scientists believe that biotechnology applications in cotton are providing solutions to most challenges, and new biotech varieties providing specific solutions to new problems will be more widely utilized. Commercial cotton hybrids could provide an alternative for better productivity and quick release of varieties, but the constraints to production of hybrid planting seed at economical costs have to be overcome.

3. The current trend in the development of new technologies requires interconnectedness among disciplines and collaboration among public and private institutions. Within the next 18 years, most cotton will be tested on rapid testing instruments, and more fiber parameters will be tested. The repeatability and reliability of the data will improve, and fiber quality testing will move to earlier stages for on-line testing at gins.

4. The Committee noted that the World Cotton Research Conference-4 was held in Lubbock, Texas, USA from September 10-14, 2007. 590 researchers, more than half from outside the USA, attended the Conference. The world cotton research conferences are scientifically significant, and the WCRC-4 was a great success. The World Cotton Research Conference-5 will be held in New Delhi, India in September/October 2011.

5. The Committee on Cotton Production Research decided to hold the 2008 Technical Seminar

on the topic “Improving sustainability of cotton production in Africa”. Papers on integrated pest management and the use of seed after ginning, will be included in the Seminar.

6. The Committee encouraged public and private sector research institutes in the Northern and Southern Hemispheres to exchange testing materials, so that breeders can test two crops a year shortening the process of variety development significantly.

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