



## **FINAL Statement of the 70<sup>th</sup> Plenary Meeting**

### ***“Public and Private Sector Roles in the Cotton Value Chain: Ensuring Both Efficiency and Fairness”***

The International Cotton Advisory Committee (ICAC) met in Buenos Aires, Argentina during September 4-9, 2011 for its 70<sup>th</sup> Plenary Meeting since the establishment of the Committee in 1939. Participation was 495, including representatives from 39 governments and 7 international organizations. The Committee welcomed the Government of Peru as its newest member.

1. The Secretariat reported that world cotton production is expected to increase in 2011/12, encouraged by the extraordinary rise in cotton prices to more than double the previous record that occurred during 2010/11. The Secretariat reported that cotton mill use is recovering from the steep decline during the global recession, and world cotton trade is rising with increased consumption. The Secretariat cautioned that stocks are estimated to rise during 2011/12, indicating a decline in cotton prices.

2. The Committee noted that price volatility had been record high in 2010/11 and that volatility imposes costs on all segments of the cotton value chain. Countries agreed that stronger national efforts to gather and report statistics on cotton production, consumption and stocks would enhance transparency and provide additional information for decision making. The Committee instructed its Secretariat to continue to analyze and report to governments on excessive speculation, defaults on contracts for trade in cotton, and other causes of cotton price volatility, including adoption of trade distorting measures by governments. The Committee recommended using metric measures to standardize statistics on cotton.

3. The Committee heard from experts on the subject of technology development and transfer. There was agreement that technology plays a central role in productivity enhancement. The role of the private sector in developing commercially viable technologies was applauded. The Committee agreed that the public sector has a crucial role to play in providing regulation and in facilitating technology development and extension, especially for small and medium sized producers. Cooperation between private and public sector researchers in an efficient research system is essential.

4. The Committee agreed that farmers' associations, organizations and cooperatives can increase access to inputs, improve marketing efforts and strengthen the voices of farmers. The keys to the success of farmers' organizations include strong and stable leadership, transparent and democratic governance, and voluntary membership with farmer ownership and control.

5.1. The Committee received information about organic cotton production systems. A report was received on the damage caused by a failed organic cotton program in which promoters had not provided adequate technical support and had abandoned smallholder growers when world market prices declined. However, examples of successful organic projects were also noted.

5.2. Specialists reported that organic production systems generally result in lower yields. Hence, for the small scale sector organic production systems can be considered if the cost of inputs is

reduced, compensatory price premiums are received, and the net returns to growers per hectare are greater or equivalent to other production systems. There was agreement that all programs and projects designed to enhance organic cotton production should cooperate with regulatory authorities, operate transparently, and provide adequate technical support to growers.

**6.1.** The Committee received a report from its Private Sector Advisory Panel (PSAP). The PSAP called on government officials to improve collection and reporting of cotton statistics. The PSAP vehemently opposed the imposition of bans or limits on trade in cotton, especially bans or limits applied retroactively. The PSAP criticized industry players and trade associations seeking to take the cotton trade backwards through requests to governments for trade protection. The PSAP agreed that BCI recommendations for improved production practices are fine, provided that BCI does not encourage fragmentation of the cotton market.

**6.2.** The PSAP considered the risks of increases in defaults on contracts due to the negative impact of the volatility in the price. The PSAP urges governments and associations in the private sector to take more efficient measures in honoring the awards by reducing any legal obstacles and simplifying the procedures as well as taking adequate measures to prevent defaulters from providing further business. The PSAP urged governments to reduce legal obstacles and simplify procedures for the enforcement of arbitral awards.

**6.3.** The PSAP encouraged governments to adopt the FAO model phytosanitary certificate used for trade in cotton, and the PSAP noted that harmonization of electronic bills of lading would simplify the documentation required for trade in cotton.

**7.** The Committee also received a report from its Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP). SEEP reported that it is working to update a report on pesticide use in cotton and to release a new report on the components of labor costs in cotton around the world. SEEP thanked member governments for providing the data necessary for its work.

**8.1.** The Committee heard from a member of the WTO Secretariat that the Doha Round seems to be deadlocked. Nevertheless, the Committee affirms that the Doha Round cannot be allowed to die because its issues remain important and must be resolved. The Committee underscored the importance of trade policy as a key companion to fiscal and monetary policies in facilitating world economic growth and development. The Committee voiced support for the WTO for its role in promoting openness and facilitating the rule of law in trade matters, for the Dispute Settlement Understanding and for the contributions to economic development.

**8.2.** The Committee encouraged all WTO Members to contribute to bringing the Doha Round to a conclusion with development as its centerpiece through negotiations, flexibility and compromise. ICAC Members reiterated that cotton is an integral part of the Doha Development Agenda (DDA) and that there can be no completion of the DDA without a solution on cotton. WTO Members have agreed that cotton will be treated ambitiously, expeditiously and specifically within the overall negotiations on Agriculture. The Committee acknowledged the specific request of the C4 for an immediate end to direct subsidies that distort production and trade in cotton.

**9.** The ICAC received a report from the Standing Committee on a proposal to create an international center for cotton research. The Standing Committee had considered the different forms and activities that such a center might undertake. The Standing Committee reported that no consensus had been achieved since some countries had expressed support for a center, while other countries indicated that it was not clear that there was a need for an international center. Some countries also expressed their concerns that the creation of an international center, even a virtual center, would result in an increase in government assessments. The Committee referred the matter back to the Standing Committee with instructions to undertake further analysis of options,

including funding, with a view to building consensus amongst member countries on the proposal to set up an international center for cotton research.

**10.** In separate sessions Committee members heard of the considerable work being undertaken to promote the consumption of cotton. The IFCP emphasized the need to increase awareness of cotton attributes and promote cotton generically and positively to achieve a unified approach to compete with synthetic fibers.

**11.1.** The Committee on Cotton Production Research of the ICAC organized a technical seminar on “Technological Innovations for Sustainable Development of the Cotton Value Chain.” Increasing input costs, inefficient use of fertilizer, poor water management, unscientific use of insecticides and absentee ownership of farms are the most common factors limiting cotton productivity. Research leading to improved production practices, organization of farmers, and improvements in input availability have proven to be beneficial in many countries.

**11.2.** The Round Table for Biotechnology in Cotton met for the first time in Buenos Aires, Argentina on September 4, 2011. Members of the Round Table agreed that all countries that have adopted biotech cotton have benefitted through improved environmental safety, higher yields or lower production costs. Many members of the Round Table are concerned about the high cost of the technology and about trade limitations.

**11.3.** The ICAC, in cooperation with the National Organizing Committee in India, is organizing the World Cotton Research Conference-5 in Mumbai during November 7-11, 2011. Over 600 researchers from around the world will attend the Conference. The Plenary Meeting encouraged its member governments to send researchers to the Conference.

**11.4.** The Committee on Cotton Production Research of the ICAC decided to hold the 2012 Technical Seminar on the topic “Intellectual Property Rights and the Role of Private Breeders.”

**Appreciation of Argentine Hospitality:** The Committee thanked the people and the Government of Argentina for their hospitality in serving as host of the 70<sup>th</sup> Plenary Meeting. Members of the ICAC noted that Argentina was an ardent supporter of efforts to strengthen the global cotton value chain, and the efforts of Argentina on behalf of the ICAC are highly gratifying.

**Future Plenary Meetings:** The Committee accepted an invitation from the Government of Switzerland to host the 71<sup>st</sup> Plenary Meeting during October 8-11, 2012 in Interlaken. The Committee also accepted an invitation from Colombia to host the 72<sup>nd</sup> Plenary Meeting in 2013.

## **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, Korea (Republic of), Mali, Mozambique, Nigeria, Pakistan, Peru, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United States of America, Uzbekistan, Zambia, Zimbabwe.



## SUPPLY AND DISTRIBUTION OF COTTON

September 8, 2011

Seasons begin on August 1

	2006/07	2007/08	2008/09	2009/10	2010/11 Est.	2011/12 Proj.
	<b>Million Metric Tons</b>					
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>12.536</b>	<b>12.749</b>	<b>12.210</b>	<b>11.895</b>	<b>8.64</b>	<b>9.06</b>
CHINA	3.991	3.653	3.321	3.585	2.78	2.17
USA	1.321	2.064	2.188	1.380	0.64	0.62
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>26.766</b>	<b>26.073</b>	<b>23.455</b>	<b>22.165</b>	<b>24.86</b>	<b>26.91</b>
CHINA	7.975	8.071	8.025	6.925	6.40	7.25
INDIA	4.760	5.219	4.930	5.185	5.53	6.04
USA	4.700	4.182	2.790	2.654	3.94	3.42
BRAZIL	1.524	1.602	1.214	1.194	1.95	1.83
PAKISTAN	2.121	1.900	1.926	2.070	1.91	2.27
UZBEKISTAN	1.171	1.206	1.000	0.850	0.91	0.92
OTHERS	4.514	3.894	3.569	3.287	4.23	5.19
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>26.487</b>	<b>26.532</b>	<b>23.696</b>	<b>25.261</b>	<b>24.37</b>	<b>24.72</b>
CHINA	10.600	10.900	9.265	10.099	9.59	9.74
INDIA	3.944	4.053	3.872	4.328	4.36	4.49
PAKISTAN	2.633	2.649	2.519	2.393	2.20	2.24
EAST ASIA & AUSTRALIA	1.858	1.829	1.674	1.861	1.78	1.76
EUROPE & TURKEY	2.084	1.744	1.409	1.550	1.48	1.49
BRAZIL	0.987	0.993	1.000	1.024	1.01	1.03
USA	1.074	0.998	0.781	0.754	0.83	0.83
CIS	0.681	0.664	0.596	0.605	0.57	0.58
OTHERS	2.625	2.703	2.579	2.648	2.55	2.57
<b>EXPORTS</b>						
<b>WORLD TOTAL</b>	<b>8.048</b>	<b>8.356</b>	<b>6.596</b>	<b>7.772</b>	<b>7.68</b>	<b>8.12</b>
USA	2.821	2.968	2.887	2.621	3.14	2.51
INDIA	0.960	1.530	0.515	1.420	1.10	1.31
UZBEKISTAN	0.980	0.900	0.630	0.820	0.60	0.60
AUSTRALIA	0.465	0.265	0.261	0.460	0.55	0.90
CFA ZONE	0.928	0.603	0.469	0.561	0.48	0.51
BRAZIL	0.283	0.486	0.596	0.433	0.44	0.70
<b>IMPORTS</b>						
<b>WORLD TOTAL</b>	<b>8.122</b>	<b>8.380</b>	<b>6.506</b>	<b>7.756</b>	<b>7.61</b>	<b>8.12</b>
CHINA	2.306	2.511	1.523	2.374	2.61	3.52
EAST ASIA & AUSTRALIA	1.899	1.860	1.665	1.894	1.77	1.80
EUROPE & TURKEY	1.340	1.081	0.861	1.176	0.98	0.88
PAKISTAN	0.502	0.851	0.417	0.342	0.31	0.23
CIS	0.319	0.267	0.231	0.210	0.14	0.15
<b>TRADE IMBALANCE 1/</b>	<b>0.075</b>	<b>0.025</b>	<b>-0.090</b>	<b>-0.017</b>	<b>-0.07</b>	<b>0.00</b>
<b>STOCKS ADJUSTMENT 2/</b>	<b>-0.140</b>	<b>-0.105</b>	<b>0.017</b>	<b>-0.144</b>	<b>-0.01</b>	<b>0.00</b>
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>12.749</b>	<b>12.210</b>	<b>11.895</b>	<b>8.638</b>	<b>9.06</b>	<b>11.24</b>
CHINA	3.653	3.321	3.585	2.780	2.17	3.19
USA	2.064	2.188	1.380	0.642	0.62	0.70
<b>ENDING STOCKS/MILL USE (%)</b>						
<b>WORLD-LESS-CHINA 3/</b>	<b>57</b>	<b>57</b>	<b>58</b>	<b>39</b>	<b>47</b>	<b>54</b>
<b>CHINA 4/</b>	<b>34</b>	<b>30</b>	<b>39</b>	<b>28</b>	<b>23</b>	<b>33</b>
<b>COTLOOK A INDEX 5/</b>	<b>59.15</b>	<b>72.90</b>	<b>61.20</b>	<b>77.54</b>	<b>164.26</b>	

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's ending stocks divided by World-less-China's mill use, multiplied by 100.

4/ China's ending stocks divided by China's mill use, multiplied by 100.

5/ U.S. cents per pound.