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Statement for the CICCA 2004 Plenary Meeting

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Outlook for Supply and Use

World cotton production is rising to an estimated 23.5 million tons in 2004/05. This represents an increase of approximately 3 million tons over production during the previous season and exceeds the previous record for world production set in 2001/02 by approximately 2 million tons. As a consequence, even though world consumption is also rising, supply will exceed demand, and the average Cotlook A Index is expected decline to 51 cents per pound in 2004/05, down 17 cents (25%) from the average last season. Projections suggest that the average Cotlook A Index will be between 50 and 55 cents per pound again in 2005/06.

The rise in production this season is partially in response to the relatively attractive price of cotton earlier this year and is also being boosted by favorable weather. However, structural factors beyond prices and weather are stimulating production. With advances in technology, including genetic engineering, yields are rising, while production costs among the most efficient producers are coming down. New areas for cotton are being developed in China (Mainland), Brazil, Turkey and elsewhere, and as a result, world cotton area is climbing 8% to an estimated 35 million hectares in 2004/05, the highest since 1995/96. Despite increased area, the world yield is forecast to climb to a record of 678 kilograms per hectare, up 36 kilograms (6%) from last season. It is significant to note that after nearly a decade of no growth in the world yield during the 1990s, the yield this season is estimated at 17% above the five-year average for 1995/96 through 1999/00. Good weather alone cannot explain this substantial increase in five years, suggesting that world production capacity is moving higher.

Cotton Consumption Rising

World cotton consumption in 2004/05 is being stimulated by lower prices, combined with improving world economic growth despite higher oil prices. Cotton is currently price competitive with polyester. As a result, world mill use is expected to grow by about 2.3% in 2004/05 to reach a record of 21.8 million tons, up half a million tons. World cotton use will benefit from the elimination of remaining quotas on textile and apparel trade among WTO members on January 1, 2005. The approaching deadline is putting downward pressure on wholesale prices of cotton products. The Secretariat estimates that the elimination of quotas will account for about 100,000 tons, or 20%, of the increase in world mill use this season.

International Trade Shrinking in 2004/05

The 13-cent increase in average cotton prices between 2002/03 and 2003/04 was due to surging imports of cotton by China (Mainland). The shortfall between production and consumption in China (Mainland) is expected to shrink from an estimated 2.2 million tons in 2003/04 to 1.3 million tons this season. However, depleted stocks, including government reserves, need to be replenished. As a result, Chinese (M) imports are expected to decline only to 1.6 million tons in 2004/05, down 300,000 tons from last season. World cotton exports are expected to decline from a record of 7.3 million tons last season to 6.7 million tons in 2004/05.

Plenary Meetings

The Standing Committee approved the agenda for the Plenary Meeting in Mumbai on September 21. The Organizing Committee in India is doing an excellent job with arrangements for the meeting, and registration is on-pace for participation of more than 400.

The meeting will feature reports from two ICAC expert panels: 1) Commercial Standardization of Instrument Testing of Cotton (CSITC) and 2) New Developments in Biotechnology of Cotton. Additional major topics of discussion will include 3) the importance of national cotton sector associations, 4) making cotton price risk management effective globally, 5) strategies for cotton demand enhancement and 6) improvements in cotton trading practices. Governments will discuss government measures and latest developments in the WTO affecting cotton.

The Expert Panel on CSITC will meet on Sunday afternoon, November 28 in Mumbai. The Panel is chaired by Andrew Macdonald who will make a report to the plenary meeting on Tuesday, November 30, to be followed by discussion in which all may participate.

The ICAC Private Sector Advisory Panel chaired by Christine Campbell will meet on Monday morning November 29 and will report to the Plenary Meeting on Tuesday November 30. Recommendations from the PSAP are reflected in the agenda for the plenary meeting in Mumbai, including a focus on biotechnology in cotton, an expansion of price risk management opportunities and continued Secretariat reports on government measures.

The 64^{th} Plenary Meeting of the ICAC will be in Liverpool during Sunday September 25 through Thursday September 29, 2005, and the LCA Dinner will be conducted that Friday September 30. The theme for the meeting next year will reflect the role of Liverpool as a center for cotton trade, and agenda topics will be focused on issues of primary interest to members of CICCA.

The 65^{th} Plenary Meeting in 2006 will be held in the city of Goiania in central Brazil at the invitation of the Government of Brazil and the Governor of the State of Goias. This meeting will focus on the success of the Brazilian cotton industry in expanding production in recent years.

Tashkent in May 2005

The Secretariat, in partnership with Cotlook, will assist the Agency for Foreign Economic Relations of Uzbekistan to organize a third international cotton conference in Tashkent during May 5 and 6, 2005. It is envisioned that the conferences in Tashkent will be repeated at two-year intervals during odd-numbered years and will focus on issues of importance to Central Asia and the world cotton trade.

Taipei in October 2005

The Secretariat will also cooperate with the Taiwan Textile Federation (TTF) to organize an international conference on opportunities for expanded trade in cotton textiles. The one-day conference will be held on October 1, 2005 in Taipei. This date was chosen to coincide with a major textile industry conference in Taipei at that time. It is envisioned that representatives of the textile industry in East Asia will be the primary participants.

China (Mainland)

Members of the Private Sector Advisory Panel have correctly noted that the greatest structural challenge facing the ICAC as an institution is the absence of representatives of China (Mainland) at ICAC meetings. There is scope for expanded private sector participation in ICAC meetings, and four representatives from three spinning and ginning companies in Shandong and Xingjian are registered to attend the meeting in Mumbai. It would be counterproductive to try to encourage the Government of China (Mainland) to join the ICAC. However, many members of CICCA interact with business partners and government officials in China (Mainland).Your support in reinforcing a message of openness with cotton industry participants from China (Mainland) and encouraging them to participate in ICAC meetings can be constructive. Indeed, it will benefit the world cotton industry through improved information flow if increased participation by China (Mainland) can be encouraged in all international forums, including the ICAC, the LCA and the ITMF, and other forums. Members of CICCA are asked to encourage their Chinese counterparts to increase their participation in international cotton and textile industry activities.