



# INTERNATIONAL COTTON ADVISORY COMMITTEE

Standing Committee  
Washington, DC

SC-M-429 Final  
August 4, 1997

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## MINUTES

429th Meeting of the Standing Committee  
Thursday, July 24 1997  
Room H1-200, World Bank, 600 19th Street NW  
Washington, DC

PRESENT:

- Mr. Victoriano B. Leviste (in the Chair)
- Mr. Paul Morris, Australia
- Mr. Carlos J. Ibargüen, Bolivia
- Mr. Frank H. Wu, China (Taiwan)
- Ms. Olga Reyes, Colombia
- Mr. Alaa Eldin Shalaby, Egypt
- Ms. Leena Ritola, Finland
- Mr. Bert Brueckner, Germany
- Ms. Reenat Sandhu, India
- Mr. Seiji Baba, Japan
- Mr. Gunn Kim, Republic of Korea
- Mr. Andrzej Dziekonski, Poland
- Mr. Mirghani M. Salih, Sudan
- Mr. Alastair Wilson, UK
- Ms. Lana Bennett, USA
- Mr. Andrew Levin, USA
- Ms. Amy Winton, USA
- Dr. Lawrence H. Shaw, Executive Director
- Dr. Terry P. Townsend, Statistician
- Mr. Carlos Valderrama, Economist
- Mr. Federico Arriola, Administrative Officer
- Ms. Rosa-Marina Soper, Secretariat

The CHAIR welcomed Ms. Reenat Sandhu of India and Ms. Olga Reyes of Colombia, who were attending a meeting of the Standing Committee for the first time.

### 1. Adoption of the Agenda

The delegate of the USA proposed adding an item at the end of the Agenda on the working fund of the Committee. The Agenda was adopted with this amendment.

### 2. World Cotton Situation

Dr. Townsend presented Attachment I to SC-N-429, which was distributed at the Meeting.

Dr. Townsend said the current Secretariat estimate of the Cotlook A Index for the 1997/98 marketing year was US82 cents per pound, the same level as the current Index. He noted that the Secretariat had increased its estimate of net imports by China (Mainland) to 550,000 tons, 250,000 higher than previous estimates. The increase in the estimate, he said, was based on continued inquiries from Chinese entities for cotton from other countries, despite internal stocks of a year's worth of use. He also noted that the Secretariat now expected supplies of cotton to be more abundant in 1997/98, due to production increases expected in India, Francophone Africa and Central Asia. In his report, Dr. Townsend referred to the continued independent statistical status of the Hong Kong Special Administrative Region of China but noted the sharp declines in the profitability of spinning yarn in Hong Kong since the beginning of 1996. He also informed delegates of resumption of Step 2 payments under the US cotton program.

The CHAIR asked delegates for their questions, comments and statements regarding the cotton situation and cotton matters in their countries.

The delegate of EGYPT asked Dr. Townsend if the US Step 2 payments were an export subsidy. He also inquired about the situation for Extra Long Staple cotton.

Dr. Townsend noted that under the Uruguay Round negotiations it was agreed that the Step 2 payments, which were made to domestic manufacturers as well as exporters, were not an export subsidy. He said the outlook for the cottons used to produce extra fine yarns was for lower prices. Stocks of cotton in Egypt and Peru were larger than in previous years and good crops were expected in 1997 in the USA, Egypt and Central Asia. With larger supplies, the quote for American Pima in Cotton Outlook, the indicative price for extra fine cottons, could fall to \$1 a pound from \$1.20 currently and forward quotes of \$1.15.

There were no other comments or statements from delegates.

### 3. Proposals for Arresting the Decline in Cotton's Share of Market

The CHAIR summarized the discussion at the 428<sup>th</sup> Meeting and noted that the delegate of Brazil had provided a statement, which he asked the Executive Director to read. The Executive Director read the following statement:

I would like to apologize for not being able to participate in the previous meeting of the Standing Committee and, again, for not being able to participate in this one. As happened last month, I have been called again to Brazil, this time to participate in a trade policy meeting.

As you know, Brazil has been calling attention, for some time, to the decline of cotton's market share in the world fiber market and has also been the main proponent of action to reverse this trend. I had planned to make some comments in the previous meeting about the subject, but due to my travel to Brazil I had to postpone it to this meeting. Since duties in Brazil have again prevented me from being present here today, I have asked the Executive Director to read the following statement on my behalf.

The 55<sup>th</sup> Plenary Meeting in its final statement made it clear that the need was for specific proposals to do something about the decline occurring in cotton's share of the world textile market. The ICAC Secretariat and the Standing Committee were instructed to prepare specific proposals for arresting the decline in cotton's market share. For two years the ICAC Plenary Meeting had been informed about the losses and expectations of further declines in the years ahead. This state of affairs should not be allowed to continue without any action from our part. We should not become spectators in the face of cotton's decline. There is a need for action now.

Brazil finds the proposals in the draft Secretariat document, Attachment II to SC-N-428, to be too timid. Even if the Standing Committee cannot at this time commit its members' governments to putting additional financial resources to the task, we should use the resources available, including our role as the world forum for discussion of cotton issues.

Instead of merely supporting private sector efforts to increase cotton consumption, we should "actively support and encourage" private sector efforts "and find ways for governments cooperation in these efforts."

Instead of just urging governments to encourage national efforts, we should also "Provide assistance to" national efforts to expand cotton consumption.

In addition to encouraging all means possible to increase cotton yields, we should, to the extent possible, "Redirect support for international meetings sponsored by the ICAC and technical information activities to those areas where the greatest gains in yields can be made."

We should also "Develop and disseminate information on ways to improve cotton fiber properties to enhance competitiveness" in addition to encouraging improvement in cotton varieties and cotton ginning.

On the financial contribution to the study being conducted by the private sector, Brazil would suggest that the amount of the contribution is not important. What is important is the participation of ICAC as our agent of influence and supervision in the process, and as a *reporteur* of developments. Governments will most likely play some kind of role in whatever plan comes out of that study, so it would be prudent to follow developments closely and have a say in the process. Thank you.

The CHAIR asked other delegates for their views.

The delegate of EGYPT thanked the Brazilian delegate for his statement and supported his additions to Attachment II.

The delegate of GERMANY made the following general statement:

Referring to its position on the co-financing of cotton promotion or marketing programs, as already laid out in previous Standing Committee meetings, the German Government also rejects the project proposal presented in Attachment II to SC-N-428. Germany is not willing to put any money whatsoever in the project, given the strong position of cotton on the textile markets. Cotton use (i.e.

consumption and demand) has not dropped in absolute terms. The relative change in commodities usage in all textiles can be explained by the increased use of synthetic textiles in new areas.

In our view, this is no reason to be concerned about cotton sales. Furthermore, Germany is not interested in promoting additional cotton sales in new markets. That is a matter for producers or the industries of the concerned countries.

For this reason, co-financing of such projects is not a justified concern of the ICAC, which represents both producer and purchasing countries alike.

The CHAIR proposed considering the points at the end of Attachment II one-by-one, and, at the request of EGYPT, asked the Executive Director to read each point, as modified by Brazil, for discussion and adoption.

With regard to point 1 on private sector efforts to expand cotton consumption, the delegates of EGYPT and the UNITED KINGDOM joined with BRAZIL in using language which incorporated the word "support" rather than the weaker term "encourage. The delegates of the USA and JAPAN preferred the use of the term "encourage" because they were concerned about the budgetary implications of the term "support." The delegate of AUSTRALIA offered the alternative language, "Encourage efforts of the private sector to develop industry plans to increase world cotton consumption and, at the discretion of individual member countries, to provide support to these efforts." This language was supported by the USA, JAPAN and POLAND and a consensus was found for its adoption.

With regard to point 2, Provide assistance to governments to encourage national efforts to expand cotton consumption, concern was expressed by a number of delegates about the implication of providing assistance on the budget of the ICAC and the view expressed by some delegates that marketing and promotion is a private sector responsibility. The delegate of JAPAN supported the original language in Attachment II to SC-N-428. The delegate of EGYPT noted that some private sectors were not at present strong enough to take on this work by themselves. He said the Committee should not limit governments to only one option. The delegate of the USA said reference should be made to expanding domestic cotton consumption within countries. The delegate of EGYPT proposed the following language, "Urge governments to encourage national and international efforts to expand cotton consumption." The CHAIR found a consensus for this language with the addition of the words "domestic as well as world" between "expand" and "cotton."

Discussion of points 3,4,5 and 6 concerned the role of the ICAC as a disseminator of information and the need for balance of these proposals with proposals 1 and 2, which were seen by some delegates as being of benefit primarily to producing countries. The delegate of the REPUBLIC of KOREA noted that some consuming countries were also producers of synthetic fibers and could not favor one industry over another. The delegate of EGYPT noted that consuming countries benefited greatly from the actions to be taken in points 3,4,5 and 6, through the lower cost of cotton and improved quality which they implied. The Executive Director, at the request of the delegate of GERMANY, said the recommendations in points 4,5 and 6 came from the Spinners Committee of the International Textile Manufacturers Federation and from comments made by consuming countries at past Plenary Meetings.

The delegate of AUSTRALIA, supported by KOREA, proposed bundling the four recommendations as follows: "Through dissemination of information and encouragement of research, to encourage all means possible to increase cotton yields, work to improve cotton varieties and cotton ginning to produce cotton with fiber properties more suitable for the modern textile industry, work for the reduction of contamination of cotton bales with foreign material and efforts to reduce the incidence and impact of honeydew on cotton lint." There was a consensus for this bundling of the points.

With regard to point 7 on urging governments to reduce trade barriers, the delegate of the USA noted that there were appropriate fora for discussions on trade policy. She asked the Executive Director if, practically speaking, the ICAC could do anything more than issue a statement with regard to trade policy matters. The Executive Director said that the statement under discussion was the action being considered. The delegate of EGYPT said that the ICAC was an appropriate forum. The delegate of the REPUBLIC of KOREA preferred the term "impediments to trade" to trade barriers. The delegate of COLOMBIA noted that the term "trade barriers" had a specific meaning in trade matters, while "impediments" did not. The delegate of EGYPT suggested replacing the reference to reducing trade barriers by reference to improving market access. The delegate of the USA referred to Australia's previous comments that cotton might be discriminated against in trade. The delegate of AUSTRALIA offered the possibility of adding at the end of the point, "to reduce discrimination against cotton relative to

other fibers, where it may exist.” Following discussion, it was agreed that point 7 would read, “Urge governments to improve market access in their own countries for cotton and cotton products as well as to work together to improve market access around the world.”

The CHAIR returned to earlier comments of the delegate of the UNITED KINGDOM that there should be reference in the recommendation to the view that marketing was a private sector responsibility. In the absence of any other support for such a separate point in the recommendation, the delegate withdrew the suggestion. The CHAIR noted that amendments could be made at the Plenary Meeting.

The delegate of EGYPT returned to earlier comments about the need for expressing the view that there is a role for ICAC in the matter of arresting the decline in cotton’s share of market and that this role should be enhanced by the recommendation. He referred to the final paragraph of the Brazilian statement. Agreement was found for adding, at the end of the recommendation as a separate point, the following language: “Monitor, discuss and disseminate information about these efforts, with a view to appropriate action by the ICAC in the future.”

Based on the decisions taken, the recommendation in Attachment II to SC-N-428, was modified by replacing the language on page 2 with the following:

To arrest this decline in cotton’s market share, the Standing Committee recommends that the International Cotton Advisory Committee

1. Encourage efforts of the private sector to develop industry plans to increase world cotton consumption and, at the discretion of individual member countries, to provide support to these efforts.
2. Urge governments to encourage national and international efforts to expand domestic as well as world cotton consumption.
3. Through dissemination of information and encouragement of research, to encourage
  - All means possible to increase cotton yields
  - Work to improve cotton varieties and cotton ginning to produce cotton with fiber properties more suitable for the modern textile industry
  - Work for the reduction of contamination of cotton bales with foreign material
  - Efforts to reduce the incidence and impact of honeydew on cotton lint.
4. Urge governments to improve market access in their own countries for cotton and cotton products as well as to work together to improve market access around the world.
5. Monitor, discuss and disseminate information about these efforts, with a view to appropriate action by the ICAC in the future.

#### **4. Other Draft Recommendations to the 56<sup>th</sup> Plenary Meeting**

The CHAIR referred to Attachments II and III to SC-N-429, which represented matters previously considered by the Standing Committee.

With regard to Attachment II, the delegate of the USA objected to the restriction on age in the qualifications for the position of Executive Director because of age discrimination. She also inquired whether, in the interest of beginning the search and application process more immediately, it was necessary to seek the Advisory Committee’s advice before establishing a search committee.

The Executive Director noted that it was the responsibility of the Advisory Committee to appoint an executive director. If the Standing Committee did not have the authority from the Advisory Committee to begin a search process, he said it would not be authorized to begin the process until January 1, 1999, when the position becomes vacant.

The delegate of EGYPT inquired whether other international organizations had age restrictions. The Executive Director said they did and noted that the Staff Regulations of ICAC also specified an age limit for the staff of 65. The delegate of AUSTRALIA, recognizing that national policies were not relevant, supported the elimination of the age requirement based on his government’s policies.

The delegate of JAPAN expressed the view that the applicant should have an endorsement by a member government.

The delegate of the USA suggested that the search committee be formed in November 1997 prior to the position being advertised and that the schedule for interviews be moved up one month.

There were no other comments. The CHAIR found a consensus for eliminating point E in the qualifications statement and for establishing a search committee in November, with interviews in June and a recommendation in July.

## **5. Working Fund**

The delegate of the USA referred to her government's reservations regarding the scale of assessments due to the decision which she said was made by the Standing Committee several years ago that working funds should not exceed 9 percent of the budget and the belief that excess working funds existed, due to payments by the USA, which could have led to a lower scale of assessments for all countries. She asked that the Executive Director provide delegates with the amount in the working fund. The CHAIR asked the Executive Director to comply with the delegate of the USA's request.

[The Executive Director notes for the record that the last estimate of the working fund on June 30, 1997, was \$138,000, about 11% of the budget; the exact amount will not be known until the accounts for the fiscal year are closed toward the end of July. He also notes that, at the 390<sup>th</sup> Meeting, the Standing Committee reduced the Working Fund to a level of 12% of the budget for the coming year effective with the 1993/94 budget.]

The Meeting was adjourned at 12:37 pm.



## Summary of the Outlook for Cotton

World cotton production is expected to increase in 1997/98, and ending stocks outside China (Mainland) may expand relative to use. Nevertheless, forward quotes for the 1997/98 Cotlook A Index are higher than the 1996/97 average of 78.5 cents per pound. Continued imports by China (Mainland), an increase in world cotton use, reduced use of barter by Central Asian exporters and uncertainty continue to bolster international prices and are helping to maintain the Cotlook A Index approximately eight cents per pound above the average of the last two decades. Based on current estimates of world cotton supply and use, the Cotlook A Index is estimated at 82 cents per pound in 1997/98 and 80 cents in 1998/99.

Crop conditions in the Northern Hemisphere improved during June and July, and world cotton production is estimated at 19.6 million tons in 1997/98, an increase of 250,000 tons over 1996/97 and 300,000 tons greater than the forecast of world consumption. With the expectation that production will exceed consumption, world ending stocks are forecast to rise to 9.6 million tons, and stocks outside China (Mainland) are expected to rise to 42% of use outside China (Mainland), the highest ratio of non-China (Mainland) stocks to use since 1991/92, the year of record world production.

World consumption rose to a record 19 million tons in 1996/97 and further growth to 19.3 million is forecast for 1997/98. Consumption is forecast to increase in India, Turkey, Pakistan and Brazil during 1997/98, as well as in numerous smaller markets such as the Philippines and Mexico. World economic growth, the stabilization of mill use in Russia and an increase in the availability of cotton in many countries seem to be contributing to the rise in use. World cotton trade is estimated at 6 million tons in 1997/98, similar to the level of the previous two seasons. Imports by China (Mainland) may decline, but increased demand is expected in Eastern Europe and South America. The USA and Uzbekistan will have sufficient supplies to maintain exports at 1996/97 levels without reducing stocks; production and exports from Francophone Africa are expected to expand again in 1997/98.

### USA Crop Conditions Improved in July

Production in the USA in 1997/98 is estimated at 3.9 million tons on 5.4 million harvested hectares. USA production in 1996/97 was 4.13 million tons, but the national yield was record high at 633 kilograms per hectare; the yield estimate for 1997/98 is 60 kilograms lower. On average across the USA this year, the cotton crop is developing two weeks later than usual because of cool weather, excess rainfall in some areas and high winds in Texas. However, there have been no reports as of the end of July of unusual pest pressure, and the US crop improved during July. With good weather during the harvest period, yield estimates could rise toward the high end of expectations. The much-watched first objective crop survey by USDA for 1997 will be published August 12.

US production has been higher than 3.9 million tons only twice, in 1994/95 and 1996/97, and production of 3.9 million tons in 1997/98 will likely be sufficient to satisfy domestic use and exports without reducing ending stocks. The USA imported 89,000 tons at the end of 1995/96 and 90,000 tons more at the start of 1996/97; imports for 1997/98 are estimated at only 5,000 tons because adequate supplies are available at the beginning of the season. Mill use in the USA is estimated at 2.3 million tons in 1997/98, about the same as in 1996/97. Within North America, the growth in cotton use seems to be occurring in Mexico where mill use rose by one-third to 330,000 tons in 1996/97.

### China (Mainland) Imports Remaining Large

Production in China is estimated at 3.8 million tons in 1997/98, down from 4.2 million tons this season and 4.7 million tons in 1995/96. Planted area has declined by 200,000 hectares because of farmer dissatisfaction with prices and services received from organizations that purchase and process seed cotton and because of difficulties maintaining yields in East and Central China. The northern portion of China's cotton belt, accounting for one-third of total production, was drier than usual during the first half of 1997. National yields during the last two seasons have been nearly record high, and a decline in the yield during 1997/98, combined with a small decline in area, will result in lower production.

Imports by China (Mainland) are estimated at 700,000 tons in both 1995/96 and 1996/97, but a modest decline to 550,000 tons is forecast for 1997/98. The current estimate for 1997/98 imports is 250,000 tons greater than the estimate one month ago. Cotton shippers report continued buying interest by textile mills in China (Mainland), and the estimates of 1997/98 world production and export availability have increased since June.

Consumption in China (Mainland) is planned at 4.5 million tons, 700,000 tons greater than estimated production. Most of the difference between consumption and production will again be met by imports, despite 1996/97 ending stocks in China (Mainland) of approximately one year of use. Conditions within China (Mainland) continue to provide an incentive to import. The government-established price for seed cotton purchased from farmers is equivalent to approximately 80 cents per pound of lint. When ginning and transportation costs are included, textile mills in Eastern China (Mainland) are often able to purchase cotton from non-Chinese sources at lower cost.

### **Indian and Pakistani Production Rising**

Cotton area is not declining in India in 1997/98, even though cotton prices have fallen relative to grain prices. Weather conditions are described as favorable, and India may achieve a third consecutive record for cotton production in 1997/98. The liberalization of the Indian economy is facilitating the purchase of inputs by growers, and the absolute level of cotton prices remains attractive, even if prices relative to grains have declined. As a consequence, more area is being brought into agricultural production across India, and cotton plantings are estimated at more than 9 million hectares in both 1996/97 and 1997/98. Production is estimated at 3 million tons in 1997/98, compared with a record 2.85 million tons in 1996/97.

Planted area in the northern region of India (accounting for one-fourth of total production) is estimated to be between 3% and 6% lower in 1997 than in 1996 because of shifts to rice, and as much as one-third of the area that was planted in the North had to be resown because of cool, rainy weather. Despite the slow start, crop conditions have improved, no disease has been observed and cotton is now progressing extremely well. Production in the northern region may rise by 50,000 tons to 750,000 tons. Increases in area and production are expected in the central and southern states, although additional rainfall is needed to achieve current estimates. Cotton area is expected to increase in Madhya Pradesh, Maharashtra, Andhra Pradesh and Tamil Nadu because of shifts from soybeans, chillies and groundnuts in response to higher cotton prices. Better yields are expected from increased use of certified planting seed and satisfactory weather so far. Production in central India, including Gujarat where crop conditions are good, could rise to 1.47 million tons, and production in South India could increase to 760,000 tons, again, assuming adequate rainfall during the remainder of the season. The expected increase in production in 1997/98, while consumption continues to rise at a healthy pace (5% growth is forecast), will allow India to export more than 100,000 tons.

Cotton area in Pakistan is estimated at 3.0 million hectares in 1997/98, a decline of 5%, but the national yield last season was unusually low because of a particularly intense incidence of the leaf curl virus. Therefore, production in 1997/98 with better yields could be the same as or higher than in 1996/97. The decline in area this year occurred in the Punjab and was tied to dissatisfaction with poor yields in 1996/97 and rainy weather during the planting period, which forced replanting on 15% of the total in Punjab. New mills for crushing sugar cane have been constructed and some cotton area has shifted to sugar. Cotton area in Sindh increased by an estimated 50,000 hectares to 670,000.

Yields in Pakistan may increase in 1997/98 because of greater use of varieties with resistance to the leaf curl virus and because the incidence of insect pressure and disease is not expected to be as severe as in 1996/97. At least 50% of the cotton area in the Punjab has been planted to virus-resistant varieties this season. The varieties have lower intrinsic yields, but provide good ginning ratios of about 33.5% and are more likely to give at least an average yield even in poor years. The leaf curl virus has been noted in fewer locations in 1997 than in 1996.

Cotton use in Pakistan has not grown since reaching 1.6 million tons during 1993/94. Reduced cotton production after 1991/92 because of the leaf curl virus and a change in government policy allowing domestic cotton prices to rise to international levels in 1995/96 has reduced much of the competitive advantage formerly enjoyed by mills in Pakistan. The decline in production during 1996/97 led to reduced consumption, estimated at 1.53 million tons, and increased production in 1997/98 is expected to facilitate

# SUPPLY AND DISTRIBUTION OF COTTON

## 24 July 1997

Years Beginning August 1

	1993	1994	1995	1996 Est.	1997 Proj.	1998 Proj.
Million Metric Tons						
<b>BEGINNING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>8.602</b>	<b>6.916</b>	<b>7.334</b>	<b>8.912</b>	<b>9.30</b>	<b>9.58</b>
CHINA (MAINLAND)	2.953	2.102	2.788	3.814	4.11	3.95
USA	1.015	0.769	0.577	0.568	0.92	0.97
NET EXPORTERS	3.906	3.194	2.898	3.400	3.65	4.09
NET IMPORTERS 1/	4.696	3.723	4.436	5.512	5.66	5.49
<b>PRODUCTION</b>						
<b>WORLD TOTAL</b>	<b>16.889</b>	<b>18.701</b>	<b>20.245</b>	<b>19.331</b>	<b>19.58</b>	<b>19.71</b>
CHINA (MAINLAND)	3.739	4.342	4.767	4.203	3.80	4.00
USA	3.513	4.281	3.897	4.126	3.90	3.97
INDIA	2.095	2.355	2.754	2.852	3.00	2.71
PAKISTAN	1.368	1.479	1.886	1.615	1.80	1.86
UZBEKISTAN	1.358	1.248	1.254	1.066	1.18	1.20
TURKEY	0.602	0.628	0.851	0.750	0.75	0.80
OTHERS	4.214	4.369	4.836	4.719	5.15	5.17
<b>CONSUMPTION</b>						
<b>WORLD TOTAL</b>	<b>18.534</b>	<b>18.559</b>	<b>18.627</b>	<b>19.037</b>	<b>19.29</b>	<b>19.66</b>
CHINA (MAINLAND)	4.600	4.500	4.400	4.600	4.50	4.50
INDIA	2.160	2.279	2.536	2.670	2.80	2.92
USA	2.268	2.438	2.318	2.350	2.33	2.31
EAST ASIA & AUSTRALIA	2.299	2.189	2.182	2.160	2.09	2.06
EU & TURKEY	1.898	2.050	2.032	2.066	2.12	2.20
PAKISTAN	1.583	1.508	1.602	1.530	1.60	1.65
E. EUR. & FORMER USSR	1.089	0.956	0.878	0.844	0.86	0.91
BRAZIL	0.834	0.818	0.817	0.835	0.88	0.91
OTHERS	1.802	1.821	1.862	1.981	2.11	2.19
<b>EXPORTS</b>						
<b>WORLD TOTAL</b>	<b>5.917</b>	<b>6.305</b>	<b>5.995</b>	<b>6.014</b>	<b>6.03</b>	<b>6.39</b>
USA	1.494	2.047	1.671	1.514	1.53	1.66
UZBEKISTAN	1.288	1.250	0.940	1.050	1.05	1.05
FRANCOPHONE AFRICA	0.520	0.614	0.618	0.721	0.81	0.82
AUSTRALIA	0.367	0.293	0.308	0.515	0.53	0.53
ARGENTINA	0.069	0.208	0.261	0.285	0.28	0.31
GREECE	0.175	0.265	0.325	0.192	0.18	0.28
CHINA (MAINLAND)	0.166	0.040	0.005	0.010	0.01	0.02
<b>IMPORTS</b>						
<b>WORLD TOTAL</b>	<b>5.765</b>	<b>6.590</b>	<b>5.977</b>	<b>6.115</b>	<b>6.03</b>	<b>6.39</b>
EAST ASIA & AUSTRALIA	2.225	2.140	2.181	2.052	2.01	2.00
EU & TURKEY	1.231	1.250	1.140	1.228	1.27	1.35
E. EUR. & FORMER USSR	0.840	0.901	0.704	0.641	0.73	0.76
CHINA (MAINLAND)	0.176	0.884	0.663	0.700	0.55	0.45
SOUTH AMERICA	0.542	0.477	0.511	0.620	0.65	0.71
<b>TRADE IMBALANCE 2/</b>	<b>-0.152</b>	<b>0.285</b>	<b>-0.018</b>	<b>0.101</b>	<b>0.00</b>	<b>0.00</b>
<b>STOCKS ADJUSTMENT 3/</b>	<b>0.111</b>	<b>-0.009</b>	<b>-0.023</b>	<b>-0.004</b>	<b>-0.01</b>	<b>-0.01</b>
<b>ENDING STOCKS</b>						
<b>WORLD TOTAL</b>	<b>6.916</b>	<b>7.334</b>	<b>8.912</b>	<b>9.303</b>	<b>9.58</b>	<b>9.63</b>
CHINA (MAINLAND)	2.102	2.788	3.814	4.107	3.95	3.88
USA	0.769	0.577	0.568	0.920	0.97	0.97
NET EXPORTERS	3.194	2.898	3.400	3.647	4.09	4.18
NET IMPORTERS 1/	3.723	4.436	5.512	5.656	5.49	5.45
<b>ENDING STOCKS/USE 4/</b>	<b>0.35</b>	<b>0.38</b>	<b>0.40</b>	<b>0.41</b>	<b>0.42</b>	<b>0.41</b>
<b>COTLOOK A INDEX 5/</b>	<b>70.60</b>	<b>94.30</b>	<b>85.61</b>	<b>79*</b>	<b>82**</b>	<b>80**</b>

1/ Includes Brazil, China (Mainland), Colombia, Mexico, Turkey and traditional importers except Greece

2/ 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.

3/ Difference between calculated stocks and actual; amounts for forward seasons are anticipated

4/ World-less-China (Mainland) ending stocks minus China net exports, quantity divided by world-less-China consumption

5/ U.S. Cents per pound. The model result for 1997/98 is based on net China (Mainland) trade, ratios of world-less-China (Mainland) ending stocks to use, barter sales from Central Asia, and futures prices. The estimate for 1998/99 is based on net China (Mainland) trade and world-less-China (Mainland) ending stocks to use. The estimate for 1994/95 is adjusted for quotes during June and July.

\* Not a model result; the estimate for 1996/97 is based on data year-to-date and the expected pattern through July.

\*\*/ 95% confidence intervals extend 9 cents per pound for 1997/98 and 15 cents for 1998/99 above and below each point estimate

a rebound in use to 1.6 million tons. Even with an increase in domestic use during 1997/98, Pakistan will have supplies for export, possibly as much as 200,000 tons.

Prices in Pakistan currently give spinners some competitive advantage in the procurement of cotton, but the advantage is less than in the early 1990s. Current quotes in Karachi for MNH 93, a representative type in Pakistan, are 77 US cents per pound, compared to a Cotlook A Index for cotton delivered to North Europe of 82 cents. In 1991, the difference between prices in Europe and domestic prices in Pakistan was more than 34 cents per pound.

Spinners in India have an even bigger price advantage than those in Pakistan. Cash quotes in Mumbai for H-4, are currently about 71 cents per pound, 6 cents less than prices for MNH 93 in Karachi and 11 cents per pound less than the Cotlook A Index. The ability to procure cotton competitively is a factor in the rise in Indian mill use during the last four seasons.

### **Central Asian Production Rising**

Cotton area in Uzbekistan reached the government target of 1.5 million hectares in 1997, and production is estimated at 1.18 million tons, close to the target of 1.25 million tons and 120,000 tons greater than in 1996/97. Weather in Uzbekistan during the first half of 1997 was cool and rainy, leading to a slow start to plant growth, but conditions improved in June and July. A near-achievement of the production target will allow exports from Uzbekistan to be maintained at the planned level. Production in Turkmenistan is estimated at 220,000 tons in 1997/98, nearly double the 1996/97 harvest, because of increased government attention to cotton matters. Production in Tajikistan is estimated at 100,000 tons, the same as in 1996/97, but an increase of 10,000 tons is expected in Azerbaijan.

### **Fourth Consecutive Output Record in Francophone Africa**

Production in Francophone Africa is expected to rise to a record for the fourth consecutive year in 1997/98 and is likely to exceed 900,000 tons. Increases in planted area of up to 15% are occurring in West African countries where good planting weather has reinforced the impacts of rising procurement prices announced by governments. Planted area in Mali is rising by an estimated 10%, and average yields would result in production of 230,000 tons, an increase of 40,000 tons over 1996/97. Increases in planted area of as much as 15% are expected in Burkina Faso, Cote d'Ivoire, Senegal and Togo. Area and production in Benin are estimated close to last year's levels of 383,000 hectares and 145,000 tons. Smaller increases in area and production are expected in Cameroon and Chad where weather has been drier than usual so far in 1997. Production in Cameroon and Chad is each estimated at about 90,000 tons in 1997/98.

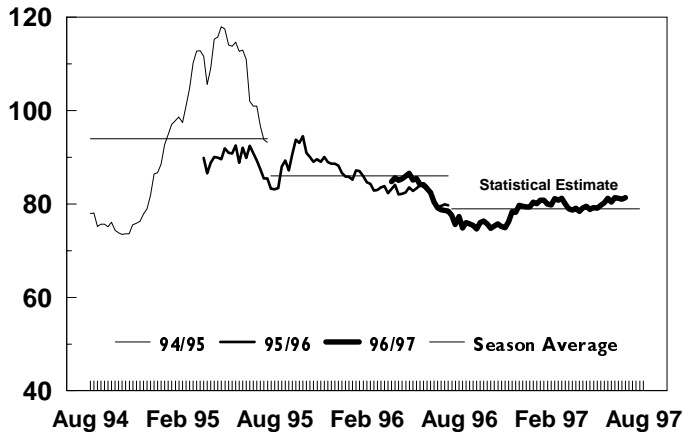
### **Increased Production in the Southern Hemisphere**

Attractive prices are expected to encourage an increase of as much as 20% in production in the Southern Hemisphere during 1997/98. Production in Australia rose to a record of 615,000 tons in 1996/97 and further growth would be forecast except for caution regarding the potential impacts of reduced rainfall linked to an El Niño weather pattern. Even if a drought occurs in Australia in 1997/98, irrigation can sustain production at the 1996/97 quantity. Estimates of 1997/98 yields and production in Peru, South Africa and Zimbabwe, which would ordinarily be increasing, are also being tempered by anxiety regarding the outlook for rainfall.

Production in Brazil dropped below 300,000 tons in 1996/97 but higher prices and two state government programs to encourage cotton in 1997/98 may lead to an increase to 400,000 tons. The State of Parana is making additional credit available to growers, and area in the State may expand from 60,000 hectares in 1996/97 to 250,000 in 1997/98; cotton area in Parana was 282,000 hectares as recently as 1994/95. The State of Mato Grosso is offering a partial rebate of some state taxes to cotton growers who follow approved agronomic practices, use certified planting seeds and observe environmental guidelines. Because of strong export sales this season, farmers in Argentina remain enthusiastic about cotton despite poor weather and lower yields. Production in 1996/97 is estimated at 320,000 tons, and an increase to 410,000 is forecast for 1997/98. Planted area in Paraguay in 1997/98 could more than double

## COTLOOK A INDEX

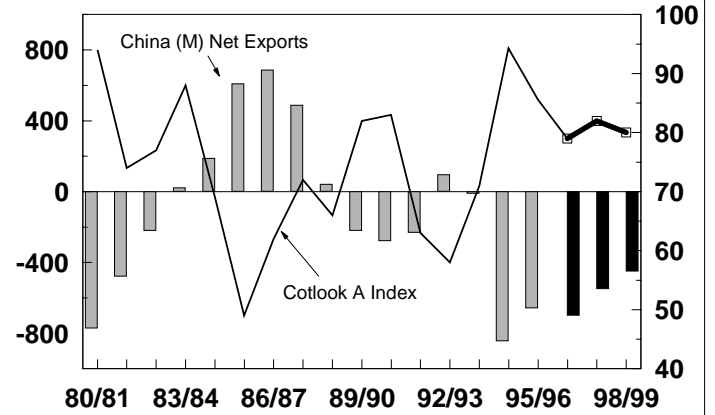
US Cents per Pound



## PRICES AND CHINA (M) TRADE

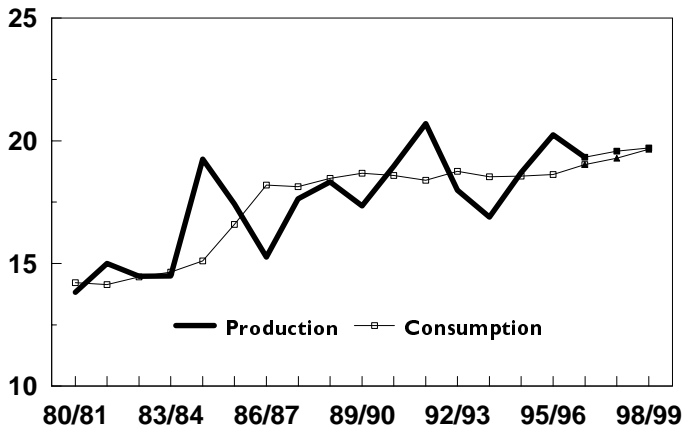
Net Exports, Million Tons

A Index, Cents per Pound



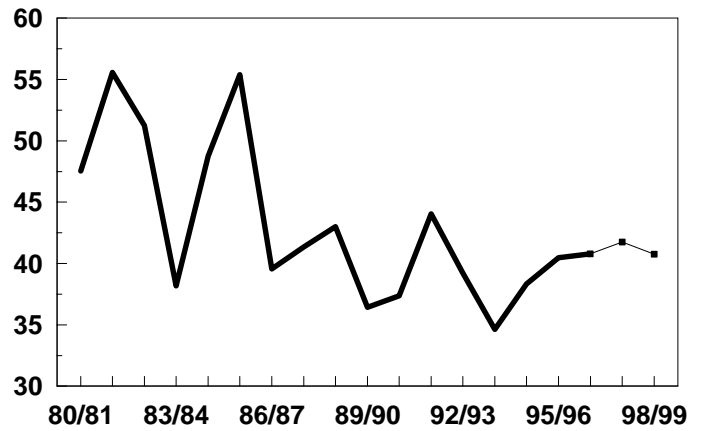
## WORLD COTTON

Million Tons



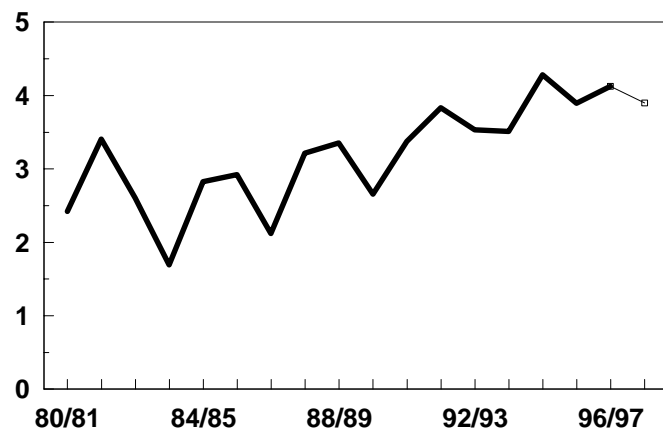
## NON-CHINA (M) ENDING STOCKS

Percent of Non-China (M) Use



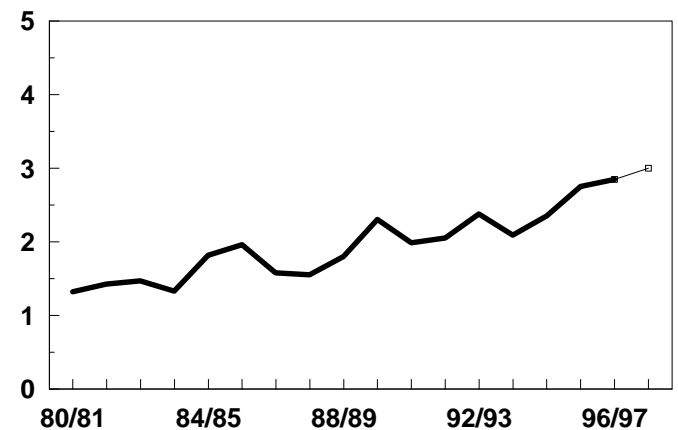
## COTTON PRODUCTION: USA

Million Tons



## COTTON PRODUCTION: INDIA

Million Tons



and production could rise to more than 100,000 tons if a government program to increase the financial assistance offered to farmers is approved as expected.

### **Production Elsewhere**

Cotton production in Turkey is expected to remain near 750,000 tons in 1997/98 despite reduced area because of an increase in the yield. Area in 1997/98 is estimated at 690,000 hectares, down 60,000 because of shifts to competing crops in central and eastern Turkey. A normal yield is assumed for 1997/98, after poor weather during the harvest season in eastern Turkey in 1996/97 reduced production by as much as 40,000 tons. Good weather has been reported so far in 1997 in Turkey. Egyptian production is estimated at 350,000 tons in 1997/98, similar to 1996/97, and 1997/98 production in Syria is estimated at 230,000 tons, compared with a record 245,000 in 1996/97. The Government of Iran is concentrating on intensified production practices, and planted area in 1997/98 is estimated at 215,000 hectares, a decrease of about 100,000. However, higher yields are expected, and 1997/98 cotton production will probably still be sufficient to cover domestic use; Iran produced about 30,000 tons more than it consumed domestically in 1996/97.

### **Hong Kong Trade Statistics Remain Separate**

Hong Kong will remain a separate and independent member of the World Trade Organization, trade statistics will be maintained separate from those of China (Mainland), the Hong Kong dollar will continue to serve as the domestic currency and Hong Kong will remain a free port. Mill use in Hong Kong fell for seven years in a row between 1986/87 and 1995/96, and a small additional decline of 2% to 144,000 tons is estimated for 1996/97, based on data through May. The Hong Kong spinning industry is affected by high land, electricity and labor costs and by the need to import cotton. Most yarn production in Hong Kong is destined for use in the production of denim, and increased competition with coarse count yarn produced in India, Pakistan and China (Mainland) may lead to further declines in mill use in Hong Kong.

Prices for open-end 7s cotton yarn in Hong Kong (a yarn commonly used in denim production) have fallen from more than US\$3 per kilogram in 1995 to \$2.40 at present. While the Cotlook B Index, a measure of coarse count cotton prices, has also fallen over the last two years, the decline in yarn prices has been greater, and the spinning margin in Hong Kong has dropped from between \$0.90 and \$1.10 per kilogram of yarn in 1995 to \$0.60 currently. The spinning margin in Hong Kong is as low now as in 1994/95, when cotton prices were record high and conditions were considered highly unprofitable for the spinning industry.

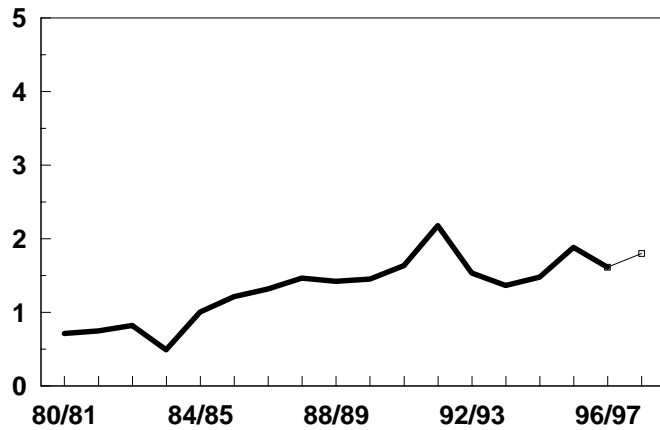
### **USA Step 2 Payments Resume**

Step 2 is a component of the US cotton program which makes payments from the government available to both domestic users of US cotton and exporters of US cotton when the difference between a moving average of US cotton prices quoted in *Cotton Outlook* and the Cotlook A Index is more than 1.25 cents per pound. Because of movements in US and international cotton prices, Step 2 payments were not made between November 1994 and this July. US prices are now higher than the Cotlook A Index, and payment rates are being announced again. Announcements are made each Thursday afternoon in Washington. The initial payment rate for the week of July 10 was 0.57 cents per pound (57 hundredths of a cent), and the payment rate during the week of July 17 is 0.56 cents per pound.

Since November 1994, the rules governing the administration of the Step 2 program have changed for cotton which is exported. Previously, the payment rate applied to cotton as of the date of export sales registration, and could thus be easily used to offset the cost of acquiring cotton in the US interior; price data suggest that most of the Step 2 payment rates were passed along to buyers of US cotton in the form of lower export prices. However, the current payment rates apply as of the date of shipment, often several months after the date of sale and price determination. Consequently, much of the payment rate now being paid will be of benefit to the exporter, and the impact on export volumes will be less direct.

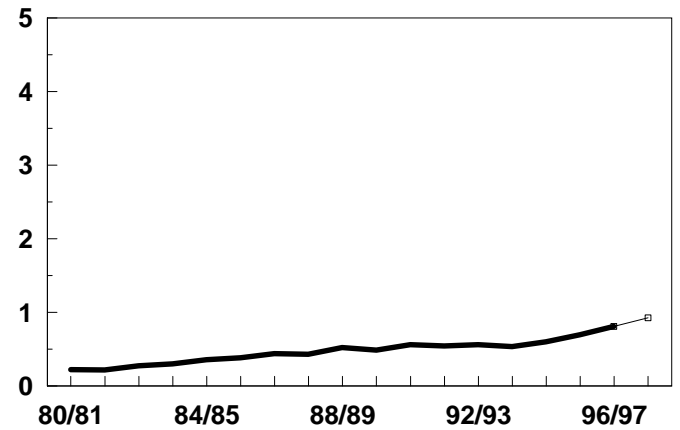
## COTTON PRODUCTION: PAKISTAN

Million Tons



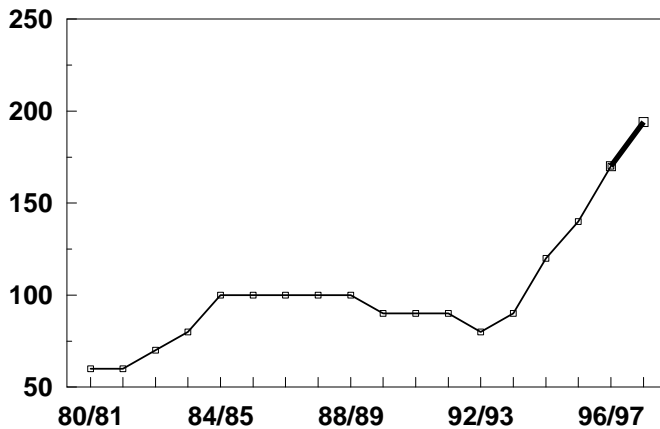
## PRODUCTION: FR. AFRICA

Million Tons



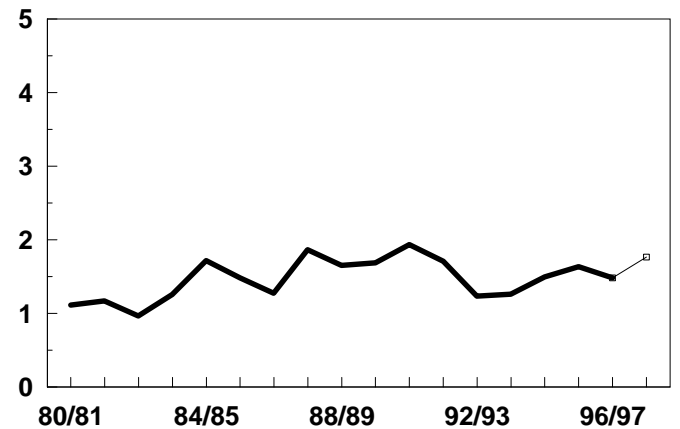
## FARM PRICES: CHAD

CFA per Kilogram of Seed Cotton



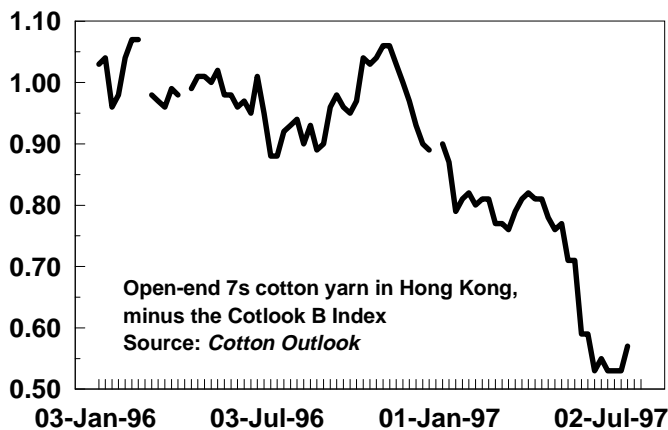
## PRODUCTION: S. HEMISPHERE

Million Hectares



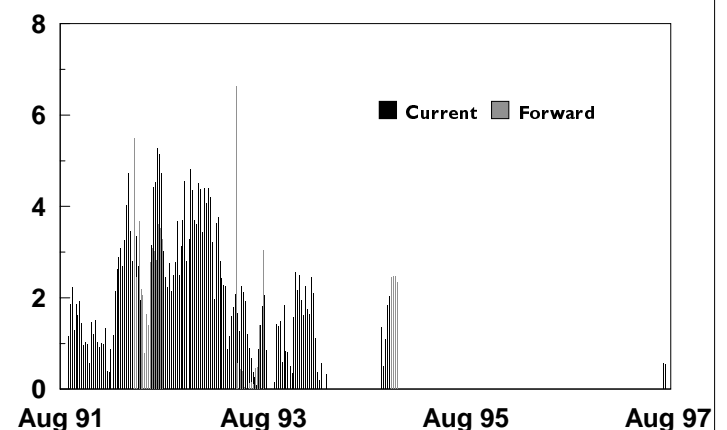
## SPINNING MARGIN: HONG KONG

US\$ per Kilogram



## USA STEP 2 PAYMENT RATES

US\$ per Kilogram





## **Election of Officers of the Standing Committee**

### **Draft Recommendation of the Standing Committee to the 56<sup>th</sup> Plenary Meeting**

The Nominating Committee called for in the Rules and Regulations of the International Cotton Advisory Committee met in Washington on June 19, 1997.

Present were the delegates of Argentina, Australia, Belgium, Bolivia, China (Taiwan), Colombia, Egypt, Finland, Germany, Greece, Japan, the Republic of Korea, Paraguay, Philippines, Poland, Tanzania, the United Kingdom and the USA.

Mr. Bert Brueckner of Germany was elected Chair of the Nominating Committee.

The Nominating Committee recommended to the Standing Committee that Mr. Aluisio Lima-Campos, the delegate of Brazil, be nominated as Chair of the Standing Committee for the coming year; that Mr. Alaa Eldin Shalaby, the delegate of the A.R. of Egypt, be nominated as First Vice Chair; and that Mr. Paul Morris, the delegate of Australia, be nominated as Second Vice Chair.

At its 428th Meeting, the Standing Committee accepted the recommendation of the Nominating Committee and proposed the following slate of officers for the Standing Committee for the coming year to the 56th Plenary Meeting of the Advisory Committee:

Mr. Lima-Campos, for the post of Chair  
Mr. Shalaby, for the post of First Vice Chair  
Mr. Morris, for the post of Second Vice Chair



## Procedure for Selection of a New Executive Director

### Draft Recommendation of the Standing Committee to the 56<sup>th</sup> Plenary Meeting

It is the responsibility of the Advisory Committee under Article III, Section 5 of the Rules and Regulations "to appoint an Executive Director and to determine his basic contract and emoluments." The term of the current Executive Director ends December 31, 1998. A new Executive Director should be appointed by the 57<sup>th</sup> Plenary Meeting of the Committee expected to take place in October 1998.

The Standing Committee recommends that the following procedure be followed:

November 1997 – Position will be advertised. A memorandum will be sent to member countries presenting the following details on qualifications and experience required and the procedure for applying:

#### 1. Qualifications

##### A. Professional background

1. Experience in agricultural commodities, preferably cotton, including policy matters relating to production, processing, trade, marketing and research, and economic analysis.
2. Executive managerial experience - a proven track record in managing programs, staff and finances.
3. International experience - previous work with government and/or international organizations in the commodities area is desirable.

##### B. Academic background

Advanced degree required, preferably in economics, agricultural sciences or engineering, or business administration.

##### C. Languages

It is essential that the applicant has command of the English language and proven ability in both oral and written communication in English. A knowledge of other official languages (Arabic, French, Russian and Spanish) would be an added qualification.

##### D. Nationality

Applicant should be a citizen of an ICAC member country.

##### E. Age

Preferably not exceeding 50 at the time of application.

#### II. Employment conditions

The contract term for the position of Executive Director is five years, beginning January 1, 1999.

The salary for the position is that of UN grade D-1, adjusted for Washington DC. Contributions to a staff retirement plan are determined by the UN system. Other employment benefits include a contributory life, disability and health insurance plan and provisions for annual and sick leave.

By the end of February 1998 applications should be received in Washington.

March-April 1998 – A Search Committee will be formed by the Standing Committee. Each member country will be eligible to participate but must agree to review all applications and to serve for the duration of the process. Applications will be reviewed by members of the Search Committee, who will rank them numerically.

May 1998 – The Search Committee will develop a short list of candidates based on the combined numerical rankings and decide on a list of not more than 4 candidates to be invited to Washington for interview.

July 1998 – Interviews conducted.

August 1998 – The Search Committee will, using the procedures for voting in Article XI of the Rules and Regulations, make a recommendation to the Standing Committee for the new Executive Director, which the Standing Committee will consider and forward to the 57<sup>th</sup> Plenary Meeting.

October 1998 – The 57<sup>th</sup> Plenary Meeting will appoint a new Executive Director who will begin his duties on January 1, 1999.