



INTERNATIONAL COTTON ADVISORY COMMITTEE

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Statement of the 75th Plenary Meeting “Emerging Dynamics in Cotton: Enhancing Sustainability in the Cotton Value Chain”

1. The International Cotton Advisory Committee (ICAC) met in Islamabad, Pakistan, from October 30 to November 4, 2016 for its 75th Plenary Meeting since the establishment of the Committee in 1939. The meeting was attended by 378 persons, including representatives from 14 Members, 4 international organizations and 4 non-member countries.

2. **Cotton demand exceeds production for the second consecutive year.** The Secretariat reported that cotton output in 2015/16 fell due to pest attacks, competitive prices from other crops, climate change, etc., leading to a reduction in world stocks. Although inventories are still higher than usual, the excess has started to be trimmed. Cotton continues, however, to be confronted by an extremely challenging competitive environment.

3. **Competition from polyester is cotton’s greatest competitive threat.** Presentations made during a session on inter-fiber competition highlighted the increasing share of the world fiber market occupied by polyester. The Committee was presented with preliminary findings from the Secretariat’s study on the economic factors underlying the growth of polyester. These results showed that polyester had made considerable gains in the market for downstream products, such as yarn, filament, staple and apparel. This trend is due to cheaper polyester prices caused by current oil prices and underutilized industrial capacity in the polyester industry. The Committee approved a recommendation of the Private Sector Advisory Panel to broaden the terms of reference of the Secretariat’s ongoing studies of the polyester market to include government support measures that have stimulated overcapacity in the polyester industry.

4. **Overcoming textile industry challenges.** Under this title, the representative of the International Textile Manufacturers Federation demonstrated, with examples, how the textile industry was confronting three basic challenges that also face the cotton industry, namely water, energy and the need for creative new ideas. The cotton industry was urged to take steps, by developing cotton varieties that use less water, by concentrating on reducing energy consumption in cotton gins and transportation, and by creating and applying new ideas, especially for increasing efficiency and reducing costs. One example would be to use High Volume Instrument cotton classing systems throughout the industry to replace the ancient practice of visual classing. Another presenter in the same session encouraged cotton-producing countries to convert cotton into value-added products that would create employment and other economic activity.

5. Costs of cotton production. The Secretariat presented a report based on its triennial publication on “Cost of Production of Raw Cotton”. The world average net cost of production (excluding land cost) of cotton lint was US\$1.16/kg in 2015/16.

6. Reducing the water footprint of cotton and increasing farmers’ income go hand in hand. Growth in demand for water, climate change and increasing population are putting ever more pressure on the use of water in agriculture in general and in cotton cultivation in particular. The Committee received presentations from researchers and sustainability experts on ways in which to reduce the water footprint of cotton. These include application of critical assessments of the performance of irrigation systems; reduction of conveyance losses; implementation of precision agriculture; deficit irrigation; use of irrigation scheduling models; maximization of yield per unit of water used; innovative methods of irrigation, such as short furrows and laser leveling of furrows; and breeding for high-yielding drought-resistant varieties through conventional breeding and genetic engineering. Practical examples showed that the water footprint of cotton can be significantly reduced, while improving the incomes to the farmers.

7. Tackling climate change requires international collaboration. The Committee took note of the outcome of the 2015 United Nations Climate Change Conference (COP21), held in Paris, France. Many cotton-producing countries were already feeling the negative impacts of climate change. The COP21 had produced sound recommendations to contain the negative effects of climate change. An alliance of partners was necessary to achieve these objectives. However, least developed countries had their own limitations to comply with the recommendations made at the conference. Collaborative efforts were required to tackle the climate change problem. In this respect, research was necessary not only into drought conditions but also waterlogged situations that often become a problem in some cotton-growing areas.

8. Testing of SEEP sustainability indicators continues. The SEEP (Expert Panel on the Social, Environmental and Economic Performance of Cotton) reported that twelve countries are already testing in the field the sustainability indicators designed by the Panel. The SEEP aims to produce a report in 2017 to systematically capture the lessons learned from all the pilot tests. This “lessons” report will be invaluable in informing the need for refinements and improvements to the current SEEP framework for measuring sustainability. The report will constitute a solid basis for more effective testing of the application of sustainability indicators. Once this study has been finalized, SEEP will investigate options for a new round of testing.

9. Biotech cotton is under development. The cultivation of biotech cotton has changed the pest complex in many countries, so changes in pest control methods are required. Biotech cotton benefitted farmers by reducing the need for insecticide sprays and positively impacted yields without raising the costs of fertilizers and agronomic operations. The pink bollworm in some countries has developed resistance to the earlier insect-resistant biotech technologies. The pink bollworm and the whitefly caused huge losses in yield in India and Pakistan during 2015, demanding a reversion to traditional varieties of cotton and traditional methods of insect control in some countries. Although

the situation has improved in the current season, these pests still require vigilance. The dusky cotton bug and the cotton mealybug have also emerged as major pests; the whitefly and leaf curl virus in particular is becoming of greater concern. Biotech cotton resistant to the whitefly is at advanced stages of development. When commercialized, these new varieties will bring a big relief to growers. Experts reported similar progress on transgenic cotton resistant to the leaf curl disease.

10. Government support to the cotton sector falls from record levels but remains high. ICAC's annual report on government measures supporting the cotton sector shows that these reached US\$7.2 billion in 2015/16, down 30% from a record of US\$10.7 billion in 2014/15. The large stocks accumulated as a result of government intervention from 2011/12 to 2014/15 had started to be drawn down. An orderly disposal of these stocks will be a key factor in the development of the market in coming years.

11. World Trade Organization supports reduction in export subsidies and domestic support for cotton. The Committee noted that the Nairobi Ministerial Conference of the World Trade Organization, held in December 2015, had adopted a decision on cotton prohibiting export subsidies and calling for a further reduction in domestic support. The decision also calls for improvements to market access for least-developed countries (LDCs). The objective of the decision is to level the playing field for cotton exporters in the poorest countries, where the cotton sector is of vital importance. The Committee reaffirmed the importance of trade policy as a driver in the promotion of world economic growth and development, and voiced support for a multilateral trading system under the aegis of the WTO.

12. Public policies for cotton must avoid distorting the market. Presentations on public policy for the cotton sector emphasized that cotton faces a grave threat from man-made fibers, especially polyester. In order to compete, cotton producers must innovate, adopt and implement cutting edge technologies that improve productivity at lower costs. Government policies should focus on allowing prices to fluctuate with market forces, increasing funding for agricultural research, and implementing science-based regulations that allow technology development and adoption. Initiatives that discriminate against cotton not marketed under certain criteria would have a detrimental effect on cotton produced and marketed by ICAC member countries and this should be closely observed by the Secretariat since these kinds of initiatives could have adverse effects on cotton production as well as on the textile value chain.

13. Greater harmonization of phytosanitary measures affecting the international trade of cotton is required. The Committee received a report from the Private Sector Advisory Panel emphasizing the need for harmonization of phytosanitary regulations affecting the world trade of cotton. In particular, the PSAP noted that requirements for fumigation of cotton varied widely among countries and requested the Standing Committee to examine possible ways in which to reduce these differences during the coming year.

14. ICAC member governments should take steps to ensure compliance with arbitral awards. The Committee received a report from the International Cotton

Association, the leading arbitral body of the world cotton trade. Cotton prices had not fluctuated much during the past season, which had resulted in a healthier trading environment and a reduction in the number of disputes needing to be settled by arbitration. However, many disputes from the 2010/11 time period, which was marked by extreme price volatility, remained unresolved because legal arbitration awards under the New York Convention, which had been signed by almost all governments, had not been honored. ICAC member governments should review the list compiled by ICA of defaulters in order to identify companies located in their respective countries and take steps to ensure that these companies comply with their obligations.

15. ICAC membership. ICAC Members were informed that the terms of accession of the European Union had been mutually agreed and were now in the process of being approved by the European Commission and the European Parliament. In addition, Bangladesh had submitted a request for membership. The terms of accession of that important cotton importer had been agreed and Bangladesh was taking the internal measures to finalize its inclusion among the members of the ICAC.

16. World Cotton Research Conference-6. The Committee received a report on the Sixth World Cotton Research Conference, which was held in Goiânia, Brazil, from 2 to 6 May, 2016. The event was attended by 471 researchers from 40 countries and five international organizations and was held under the auspices of the International Cotton Researchers Association (ICRA). The ICAC Research Associate program supported the presence of 16 researchers at the conference.

17. Topic of 2017 Technical Seminar. The Committee decided to hold the 2017 Technical Seminar on the topic of “Opportunities and Challenges for Technology Transfer in Cotton”.

18. Next meeting. The Committee accepted an offer from Uzbekistan to host the 76th Plenary on dates to be determined during October 2017.

19. Appreciation for the hospitality of Pakistan. The Committee thanked the people, the Organizing Committee and the Government of Pakistan for their hospitality in serving as host of the 75th Plenary Meeting. Delegates commented very favorably on the quality of the venue and the social events, as well as the efficiency of the host country in preparing for the plenary meeting. *“Pakistan Zindabad”*.

**ICAC****SUPPLY AND DISTRIBUTION OF COTTON**

November 3, 2016

Seasons begin on August 1

	2011/12	2012/13	2013/14 Est.	2014/15 Est.	2015/16 Est.	2016/17 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	10.333	15.351	18.342	20.476	22.242	19.14
CHINA	2.087	6.181	9.607	12.109	12.917	11.27
USA	0.566	0.729	0.903	0.651	0.980	1.05
PRODUCTION						
WORLD TOTAL	27.848	26.785	26.169	26.199	21.024	22.40
INDIA	6.239	6.290	6.766	6.562	5.746	5.77
CHINA	7.400	7.300	6.950	6.500	4.753	4.55
USA	3.391	3.770	2.811	3.553	2.806	3.49
PAKISTAN	2.311	2.002	2.076	2.305	1.514	1.88
BRAZIL	1.877	1.310	1.734	1.563	1.289	1.39
UZBEKISTAN	0.880	1.000	0.910	0.885	0.832	0.82
OTHERS	5.750	5.113	4.923	4.831	4.084	4.51
CONSUMPTION						
WORLD TOTAL	22.788	23.521	23.737	24.199	23.813	23.75
CHINA	8.635	8.290	7.517	7.479	7.330	7.18
INDIA	4.231	4.731	5.057	5.261	5.243	5.25
PAKISTAN	2.121	2.216	2.470	2.492	2.268	2.28
EUROPE & TURKEY	1.498	1.560	1.611	1.692	1.687	1.63
VIETNAM	0.410	0.492	0.673	0.875	1.007	1.14
BANGLADESH	0.700	0.765	0.880	0.937	1.077	1.21
USA	0.718	0.762	0.773	0.778	0.751	0.76
BRAZIL	0.897	0.910	0.862	0.797	0.733	0.65
OTHERS	3.578	3.795	3.894	3.887	3.717	3.66
EXPORTS						
WORLD TOTAL	9.846	10.061	9.010	7.805	7.522	7.48
USA	2.526	2.836	2.293	2.449	1.993	2.50
INDIA	2.159	1.685	2.014	0.914	1.255	0.82
CFA ZONE	0.597	0.828	0.973	0.893	0.972	1.07
BRAZIL	1.043	0.938	0.485	0.851	0.939	0.79
UZBEKISTAN	0.550	0.690	0.615	0.550	0.544	0.46
AUSTRALIA	1.010	1.343	1.057	0.520	0.613	0.64
IMPORTS						
WORLD TOTAL	9.786	9.788	8.712	7.572	7.215	7.48
CHINA	5.342	4.426	3.075	1.804	0.959	0.98
VIETNAM	0.379	0.517	0.687	0.934	1.001	1.15
BANGLADESH	0.680	0.631	0.967	0.964	1.108	1.22
INDONESIA	0.540	0.686	0.651	0.728	0.640	0.65
TURKEY	0.519	0.803	0.924	0.800	0.918	0.91
TRADE IMBALANCE 1/ STOCKS ADJUSTMENT 2/						
	-0.060	-0.274	-0.298	-0.233	-0.307	0.00
	0.018	0.001	0.000	0.000	0.000	0.00
ENDING STOCKS						
WORLD TOTAL	15.351	18.342	20.476	22.242	19.141	17.78
CHINA	6.181	9.607	12.109	12.917	11.272	9.58
USA	0.729	0.903	0.651	0.980	1.049	1.28
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	65	57	52	56	48	48
CHINA 4/	72	116	161	173	154	133
COTLOOK A INDEX 5/	100	88	91	71	70	

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.