



A Strategic Plan for the ICAC

Major Challenges Facing the Cotton Industry

The world cotton industry is witnessing strong demand growth, advances in technology and substantial progress toward liberalized trade in cotton textiles and apparel. By many measures, the health of the cotton industry is good. Nevertheless, many challenges continue, including the need to encourage universal implementation of sustainable production systems, competition with polyester and the need to boost demand, distortions to production and trade caused by government measures in cotton and continuing difficulties with contract defaults. In addition, the ICAC faces institutional challenges in boosting membership, a shift in attitudes toward public sector involvement in commodity matters, privatization of national cotton industry organizations and pressures on government budgets.

Cotton is grown in more than 100 countries on about 2.5% of the world's arable land, making it one of the most significant crops in terms of land use after food grains and soybeans. Cotton is also a heavily traded agricultural commodity, with over 150 countries involved in exports or imports of cotton.

More than 100 million family units are engaged directly in cotton production. When family labor, hired-on farm labor and workers in ancillary services such as transportation, ginning, baling and storage are considered, total involvement in the cotton sector reaches an estimated 350 million people. It also provides employment to additional millions in allied industries such as agricultural inputs, machinery and equipment, cottonseed crushing and textile manufacturing. Cotton cultivation contributes to food security and improved life expectancy in rural areas of developing countries in Africa, Asia and Latin America. Cotton played an important role in industrial development starting in the 17th century and continues to play an important role today in the developing world as a major source of revenue. The value of world cotton production is estimated at approximately \$40 billion in 2007/08. The economic importance of cotton justifies the involvement of governments in an international cotton organization dedicated to improving the health of the industry.

1. Sustainable Production Systems

Sustainable production is the ability to produce cotton today without diminishing the ability of future generations to produce cotton. Over the past four decades, as the use of inorganic fertilizers and pesticides have been incorporated into production practices, farmers and researchers have tried to develop ecologically sound production systems for cotton and other crops. More insecticides are used per hectare of cotton than on many other row crops, and so interest in developing sustainable production systems has focused on cotton.

In most cases, the knowledge necessary to implement sustainable production systems exists or can be readily developed from current technologies. The constraints to expanded implementation of sustainable production practices is lack of knowledge by farmers, *prices of inputs and access to credit*. Governments and cotton industry organizations can contribute through a strengthening of extension systems.

Objectives:

The ICAC Secretariat will facilitate the development and encourage the implementation of better management practices (BMP) that result in sustainable production of cotton.

Strategies:

1. The Secretariat will ensure that technologies consistent with BMP are highlighted in technical conferences supported by the ICAC.

2. The Secretariat will report on BMP technologies, and the benefits of adoption of BMP, in issues of *The Recorder*.
3. The Secretariat has commissioned a Review Article (a special publication on a focus topic by an outside author with expertise in the field) on the impacts of cotton production on health and the environment. The article will include guidelines for successful adoption of BMP programs.
4. The Secretariat will report periodically on the status of adoption of BMP programs in countries and regions that have volunteered to participate in such a program.
5. The Secretariat will cooperate with international organizations, cotton industry organizations and the private sector in the development and adoption of BMP programs.

Performance Indicators:

Implementation of effective BMP programs in producing countries and regions.

Intermediate Goal:

The establishment of BMP programs in at least two producing regions within three years.

Potential Collaborators:

USDA, CIRAD, Australian CRDC, national cotton organizations responsible for development and extension of technology to growers, and the Better Cotton Initiative.

Demand Enhancement

The Secretariat supports the work of the International Forum for Cotton Promotion (IFCP). The IFCP is a consortium of private sector cotton industry organizations in 15 countries. The mission of the IFCP is to boost demand at the retail level for cotton by serving as a clearinghouse for proven techniques of cost-effective demand enhancement. The IFCP works to encourage the formation of national organizations in producing countries to fund and execute programs to provide positive information about cotton to domestic consumers. Domestic promotion activities have been proven effective in raising fiber awareness among consumers, creating positive consumer impressions of cotton and encouraging fashion trends friendly to cotton use.

The IFCP grew out of the 59th Plenary Meeting in Cairns, Australia. There has been much accomplished in the way of organization, gathering of data and the dissemination of information about cost effective demand enhancement strategies. The creation of national cotton organizations in Brazil and Turkey during 2007 to further domestic demand enhancement activities is considered promising.

Remembering that the foundation of the ICAC is its status as an international organization, there is a role for government action in facilitating and encouraging national industries to look past individual self-interest and to unite into national organizations to promote industry growth. Governments can promote the health of the cotton industry by facilitating the formation of national cotton bodies, by implementing policies requiring fiber-content labeling of all products sold at retail in the organized sectors and by providing the support of government in the collection of funds for research and promotion activities. The experience of the United States, where the government does not fund promotion but does facilitate the collection of funds from the private sector for research and promotion activities, can serve as a model for government action.

Objectives:

The ICAC will encourage increased consumption of cotton at the retail level.

Strategies:

1. Member governments of the ICAC will be encouraged to endorse increased consumption of cotton as a legitimate policy goal, with the understanding the some

governments do not support particular fiber industries in competition with other fiber industries.

2. Member governments that have not already done so will be encouraged to adopt fiber-content labeling requirements.
3. The Secretariat will work with the IFCP to provide information to national cotton industry organizations and governments about successful domestic demand enhancement activities and encourage the adoption of similar strategies.
4. Member governments will be encouraged to enact legislation supportive of efforts by the private sector to raise funds through industry organizations to finance research and promotion efforts.
5. The Secretariat will liaise with other agencies promoting natural fibers on cross-promotional activities in preparation for the International Year of Natural Fibres in 2009.

Performance Indicators:

The establishment of national organizations to conduct effective demand enhancement activities in producing countries.

Intermediate Goal:

The establishment of one additional demand enhancement program in a producing country by 2009.

Potential Collaborators:

Cotton Incorporated, Cotton Council International, Cotton South Africa, Cotton Australia, national organizations in Brazil and Turkey, and IFCP members.

Instrument Testing

Instrument testing of cotton contributes to efforts at demand enhancement. About one-third of world cotton production is instrument tested at the producer level at this time, and this proportion is rising. With China (Mainland) developing an instrument testing system, and other countries such as Brazil and Australia strengthening existing systems, more than one-half of world production will be evaluated using rapid instrument-testing systems within the next five years.

Following the plenary meeting in Poland in 2003, the Standing Committee approved the formation of an Expert Panel on Commercial Standardization of Instrument Testing of Cotton (CSITC). The purpose of the CSITC is to improve the competitiveness of the world cotton industry by encouraging widespread use of high-quality instrument testing systems at the producer level within a standardized international testing system. The CSITC is working to facilitate the adoption of best instrument testing methods and procedures, so that test results can serve as a basis for international trade in cotton, thereby providing relevant technical information to spinners on a cost-effective basis to enable them to optimize the use of cotton, and to provide rational incentives to the production and marketing pipeline to supply cotton with the characteristics desired by spinners.

Objectives:

The ICAC will encourage worldwide adoption of a standardized instrument testing system for cotton.

Strategies:

1. The Secretariat will facilitate the work of the CSITC toward agreement on the adoption of procedures and practices consistent with high quality instrument testing within a standardized cotton testing system.
2. The Secretariat will work with other international organizations to circulate information to all cotton sectors on the work of the CSITC.
3. The Secretariat will collaborate with other international organizations to ensure that projects to expand instrument-testing capabilities in developing countries are consistent with the activities of the CSITC.

4. Member governments of the ICAC will *encourage* industry conversion to instrument testing systems from hand classing systems.

Performance Indicators:

Instrument testing of cotton within a standardized international system developed by the CSITC will be adopted by more countries.

More than one-hundred cotton testing laboratories will participate in the CSITC Round Trials in 2008.

Intermediate Goal:

Instrument testing of cotton within a standardized international system developed by the CSITC will be implemented at the producer level for 50% of world cotton production by 2008, up from approximately one-third at present.

Potential Collaborators:

USDA, Bremen Fibre Institute, CIRAD, international organizations and national cotton testing organizations.

Distortions Caused by Subsidies, Quotas and Tariffs

Member Governments reaffirmed at the 66th Plenary Meeting in 2007 that subsidies, quotas and tariffs 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 Committee called on the WTO and its members to urgently complete the Doha Round of multilateral trade negotiations. The Committee said 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. 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 recalled that members of the WTO agreed to treat cotton ambitiously, expeditiously and specifically.

Objectives:

The ICAC will support a successful outcome to negotiations in the Doha Round that will result in the elimination of all forms of export subsidies, improved market access for agricultural trade and reductions and eventual elimination of domestic support that distort production and trade.

Strategies:

1. The Secretariat will continue to provide independent and objective information on the size and nature of government measures affecting cotton production and trade.
2. The Secretariat will estimate the impacts of these government measures on cotton prices, while continuing to clearly state the assumptions and limitations of its analytical methodology.

Performance Indicators:

A successful outcome to the Doha Round of negotiations in the WTO.

Intermediate Goal:

Potential Collaborators:

Governments, NGOs, international organizations

Contract Sanctity

A central function of governments is to provide for the rule of law, and the ICAC has endorsed the concepts of contract fulfillment and compliance with valid arbitral awards. Contract defaults impose costs on the entire cotton chain in the same way that the costs of shoplifting are eventually borne by all shoppers. The Secretariat continues to cooperate with the United Nations Commission on International Trade Law (UNCITRAL).

Objectives:

The ICAC will insist on adherence to good trade practices by all members of the cotton trade.

Strategies:

1. Member governments will continue to endorse the principles underlying good trade practices.
2. The Secretariat will publicize the negative impacts of contract defaults on world cotton trade.
3. The Secretariat will provide information about efforts to harmonize trading rules.
4. The Secretariat will participate in efforts to educate all segments of the cotton industry about the need for contract compliance.

Performance Indicators:

A long-term reduction in the number of technical arbitrations submitted to recognized arbitral bodies.

Intermediate Goal:

Potential Collaborators:

Member associations of the Committee for International Co-operation between Cotton Associations (CICCA), UNCITRAL, ITMF.

Institutional Challenges Facing the ICAC

Declining Membership

Membership in the ICAC has fallen from more than 50 countries at its peak in the early 1980s to 44 countries presently. Membership has declined for a number of reasons. Some countries have withdrawn after production or mill use had dwindled. Other countries have experienced budget difficulties. Some countries withdrew because of changing priorities in government. There has been a shift in attitudes toward public sector involvement in commodity matters, combined with privatization of national cotton industry organizations and pressures on government budgets, that is leading to reduced support for international commodity bodies. A common feature among countries that withdraw from membership and countries that do not join the ICAC is the lack of organized support from within the private sector of the cotton industry to advocate for membership in the ICAC.

The viability of the ICAC as an institution is not at risk, but a decline in membership could imperil the organization. Thus, the ICAC needs to focus efforts at membership growth.

Objectives:

The ICAC will increase membership by 5% to 46 governments within 5 years.

Strategies:

1. The Secretariat will initiate contacts with government officials in targeted countries.
2. The Secretariat may refer officials from target countries to contact member countries in order to obtain information on why the member country is part of the ICAC, provided that the ICAC Secretariat has ascertained the member country's permission to do so.

3. The EU will be encouraged to endorse membership in commodity organizations for all member states.
4. Members of the private sector will encourage business associates and counterparts in non-member countries to endorse the membership of their governments in the ICAC.
5. At appropriate times, Standing Committee officers can visit targeted countries to raise the profile of ICAC membership.
6. The Secretariat will examine the methods employed by other international commodity organizations to determine how they encourage membership growth and retention.

Performance Indicators:

Increased membership in the ICAC.

Intermediate Goal:

Reactivation of the membership of Japan and Mexico.

Potential Collaborators:

Member governments, members of CICC and cotton companies in member and non-member countries.