



64th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE

MINUTES

FIRST PLENARY SESSION (A)

3:45 PM, Monday September 26, 2005
Mr. Philip Stern in the Chair

After announcing that Nigeria was reinstated as a full member of the ICAC, the Secretary General introduced the Chairman.

The CHAIR reminded the delegates that all oral statements must be limited to five minutes, and that full statements will be circulated in written form to all delegates.

The CHAIR called upon the representatives of the various international organizations to make their presentations. He recognized the representative of CIRAD (Centre de coopération internationale pour le développement) who said that his organization is a French agricultural research center working for development in developing countries. Within the Annual Crops Department, the Cotton Research Units take part in projects initiated by the ICAC. The representative of CIRAD elaborated on the issues and challenges of public funded research in biotechnology. The position of CIRAD is that public research should focus on the efficiency, the sustainability and the profitability of biotech cotton for smallholders, with a particular focus on the impacts on the environment. Biotechnology can provide a way to improve the competitiveness of cotton sectors in developing countries. However, the principle of precaution must be applied, and all solutions likely to increase productivity and reduce poverty must be assessed by adopting a strictly independent scientific approach, rather than being adopted on a purely commercial basis or rejected on ideological grounds.

The CHAIR gave the floor to the representative of the EU (European Community) who provided an update on the development and implementation of the EU cotton policy. He said that a new aid regime to cotton policy will apply from January 1, 2006. 65% of support will be fully decoupled and provided as part of a new income support mechanism. The delegate recalled that the EU has no import duty and no quantitative limits on imports. He stated that the EU adopted an action plan on "Agricultural Commodities, Dependence and Poverty" in developing countries in 2004. The plan was accompanied by a specific EU-Africa partnership in support of cotton sector development. The delegate detailed the most important actions and funding undertaken in 2004 and 2005 under this plan. He stressed that the EU is committed to ensuring that its trade policy maximizes its contribution to sustainable development, and is closely working with other international organization. The delegate concluded in saying that the EC (European Community) expects to conclude the arrangements for membership into the ICAC in 2006.

The CHAIR recognized the delegate of CICC (Committee for Co-Operation between Cotton Associations) who summarized the role and the activities of the committee. CICC was established in 1975 to promote the concept of sanctity of contracts support good trade practices and harmonizing the international trade rules established by the 14 organizations from 14 countries. CICC is seeking to expand membership. CICC provides information on good trade practices and maintains a comprehensive list of unfulfilled valid arbitration awards. The delegate concluded in thanking the organizing committee.

The CHAIR gave the floor to the representative of the CFC (Common Fund for Commodities) who thanked the Chairman of the Standing Committee and the Executive director for the invitation on or the on behalf of the MD who could not attend. The representative noted that, as the International Commodity Body for cotton, the ICAC is a prime partner of the CFC. The portfolio of completed and ongoing projects comprises of 16 projects with a total CFC contribution of US\$ 22 million. The representative presented 2 projects just completed, the project on Sustainable Control of the Cotton Bollworm in Small-scale Production systems in China (Mainland), India and Pakistan, and the project on the Improvement of the Sustainability of Cotton Production in West Africa. He

mentioned the small project entitled Preparation for the commercial Standardization of instrument Testing of cotton for Cotton Producing Countries in Africa which just started. The CFC wishes to continue its co-operation with the ICAC in order to provide an effective contribution to the sustainable development of the cotton sector with a particular emphasis on the poorer small holders.

The representative of the IFCP (International Forum for Cotton Promotion) reported on the activities of the IFCP. He said that the IFCP acts as a forum for exchanging and communication cotton promotion techniques and ideas, in order to inspire domestically focused and domestically funded demand enhancement activity.

He emphasized the importance of promotion to demand enhancement. The IFCP has launched a sponsorship program for organizations, companies and countries that benefit from the cotton value chain. However, despite the fact that cotton's share continues to drop, no new or expanded cotton promotion activity has occurred. Building demand for cotton must be a priority for organizations involved in the world's cotton industry.

Moving to statements by member countries, and reminding that the time limit will be strictly enforced, the CHAIR recognized the delegate of Pakistan. The delegate stressed the significance of cotton to the national economy, as the textile sector accounts for 60% of export revenues. Production rose from 1 million bales in 1947/48, to 14.6 million bales in 2004/05 while the number of textile mills jumped from only 2 to 458. With research, technology progress, and supportive government policies, production is forecast to reach 17 million bales in 2010. Pakistan is the third largest cotton consuming country in the world and emphasis is being placed on the export of more value-added product, which implies qualitative improvements in raw cotton. Therefore, special measures are taken to fight against contamination.

The delegate of BRAZIL thanked the City of Liverpool for its hospitality, the chairman and the secretariat for their work. The delegate praised the efforts of the Working Group on Government Measures and re-stated the position of the Brazilian Government against subsidies that distort the international cotton market.

The CHAIR introduced the delegate of Egypt who expressed his thanks to the people and the government of the United Kingdom for their hospitality and the participants, the executive director, the ICAC Secretariat, the interpreters, and the organizing group for preparing this meeting. He explained the goals of the country to produce high quality cotton with zero contamination, under environment-friendly conditions. The sector is being fully liberalized, supply and demand will be determined by market forces, and no minimum price will be offered to producers in 2005/06. The delegate reported that cotton production increased sharply and exports doubled in 2004/05 while local domestic needs were fulfilled by imports. However, the cotton area declined in 2005/06 due to competition with alternative crops. Nevertheless, advanced technologies are introduced to improve varieties and production quality.

The CHAIR gave the floor to the delegate of INDIA who said that cotton continues to enjoy a pre-eminent position despite the inroads made by polyester. The delegate stressed the importance of cotton for the Indian economy. 60 million people are employed in the cotton sector and ancillary activities. He reported that yield and production reached records in 2004/05 due to favorable weather and to the measures adopted by the Government through the Technology Mission on Cotton. Consumption continues to increase steadily due to the availability of cotton. Best Management Practices are implemented to improve productivity and quality. New Bt varieties are released and contract farming is expanded to ensure a better linkage between producers and textile mills. The delegate concluded in thanking the organizers for giving him the opportunity to present the country statement.

The delegate of POLAND said that imports and consumption of cotton increased in 2004. However, the situation worsened since January 1, 2005 after the elimination of quotas on textile trade. Consumption is dropping because of the surge in imports from China (Mainland). The Polish cotton sector is not supported nor subsidized by the State and there are no barriers to the trade of raw cotton and textile products. The delegate described the role of the Gdynia Cotton Association in promoting fair trade rules and its strong support of the IFCP.

The CHAIR gave the floor to the delegate of CHINA (Taiwan) who thanked the organizing committee. He said that the quota-free era is putting pressure on all textile producers. However, the elimination of rigid quotas should have a positive impact on Taiwan's textile industry in enabling it to develop its creative potential. The increased downward pressure on prices will lead to major structural changes. The delegate gave an overview of the textile sector which employs 200,000 people and has the second largest trade surplus. The cotton spinning industry

relies entirely on imports, and the US is the major supplier. Off shoring of yarn production continues. To face the increasing competitive pressure, the cotton spinning industry will collaborate with the man-made fiber industry to develop new distinctive yarns.

The CHAIR recognized the delegate of COTE D'IVOIRE who declared that the presence of a strong delegation despite the current socio-political crisis shows the importance the country attaches to the cotton sector and to the role of the ICAC. Cotton is 3rd export in value, and about 50% of the population depends directly or indirectly on its production. Seed cotton production in 2004/05 was estimated at 350,000 tons. Thanks to reforms undertaken since 1998, the cotton sector expects to develop its production, to improve its competitiveness with new technologies, reduce the costs of production and improve the quality of cotton. The delegation supports the proposals aiming at eliminating all forms of export subsidies and import substitution and at establishing fair trade among WTO members. The delegate thanked the government of the UK for their warm hospitality. He congratulated the organizing committee, the executive director and the ICAC secretariat for their work.

The delegate of SUDAN expressed his thanks to the United Kingdom for hosting the meeting and to the executive director for preparing the agenda. He stressed the importance of cotton in Sudan. He gave an overview of the structural changes aiming at improving management and reducing costs. Farmers are free to produce and to market. The role of the State is limited to regulating irrigation, technology transfer and protecting the environment. He reported that production is expected down in 2005/06 because of low returns last season, causing farmers to shift to other crops. The delegate stated that he fully agrees with the concerns expressed in the Executive Director's Report about the impact of low prices on small growers.

The CHAIR welcomed the delegate of NIGERIA who congratulated the ICAC for organizing this plenary meeting. He said that cotton ranks among the major important cash crops in Nigeria. However, due to distortions in the world market, the country cannot reach its full potential, estimated at 500,000 tons of lint. The government has set up a Cotton Development Committee to improve the quality for domestic use and for exports. The fact that the government has paid its outstanding contributions to the ICAC is proof of the importance it attaches to the cotton sector.

The CHAIR gave the floor to the delegate of SOUTH AFRICA. The delegate praised the immense contribution of Dr. Brock to the cotton industry. She thanked the government of the UK and the City of Liverpool for their hospitality. She said that the government and the cotton industry are particularly honored that South Africa was Chair of the Working Group on Government Measures and will Chair the Standing Committee.

The delegate reported that the South African textile and clothing industry is severely affected by the flow of cheap imports from China (Mainland) causing unemployment to rise. The government will implement anti-dumping measures. As commercial farmers and small holder farmers are both affected negatively by globalization and by subsidies, Government intervention is needed to reestablish free and fair market conditions. To conclude, the delegate said that South Africa wishes to be included in the list of countries willing to host future ICAC Plenary Meetings.

The CHAIR adjourned the session at 5:10pm