



The ICAC's 80th Plenary Meeting

80th Plenary Meeting – Virtual

MINUTES

First Open Session

Reports from the ICAC Secretariat with focus on sustainability

9:15 – 10:45 am (GMT-5); Australia (Perth, AW): 10:15 pm – 11:45 pm; Europe: 14:15 – 15:45 (GMT)
Chair: Mr Patrick Packnett, USA, Chairman of the ICAC Standing Committee

Mr Packnett opened the session at 9:17 by inviting Mr Matthew Looney, ICAC Data Scientist, to deliver his presentation on the World Cotton Market.

World Cotton Market

Mr Looney noted that the Cotlook A-Index price had risen dramatically during the 2020/21 season and did not relent through nearly the entire 2021/22 season. He indicated that prices started to retreat toward the final quarter of the 2021/22 season and continue their fall at the time of this presentation. Price volatility is likely to remain high through the remainder of the 2022/23 season. This volatility is due to the uncertainty about global macroeconomic conditions. Mr Looney stated that if a recession materialises and production remains above consumption, we can expect to see prices remain low for the foreseeable future.

He noted that the Secretariat's current projection for consumption in 2022/23 is 24.91 million tonnes, a 3.1% decline over the previous season. Production for 22/23 is currently recorded at 25.03 million tonnes. This level of production is despite a catastrophic crop in Pakistan and the United States. He stated that India and Brazil were both reporting increased production and this has helped stave off a production shortfall in the 2022/23 season.

Mr Looney concluded his presentation by pointing out that, at this time, production is outpacing consumption and there appears to be sufficient supply for estimated demand.

World Cotton Trade

The Chair invited Ms Parkhi Vats, ICAC Commodity Trade Analyst, to deliver her presentation.

Ms Vats started her presentation with a look back at the developments of the past few seasons. She stated that with the turmoil of the past several back-to-back pandemic seasons, hopes were high for a calm 2021/22 cotton year. However, what was witnessed was anything but calm. She recalled that at the end of the 2021 calendar year, the US-China Phase One trade agreement — which included trade in cotton — came to an end. She explained that in February 2022 the world witnessed conflict between Russia and Ukraine and this conflict was impacting energy prices and had pushed fertiliser prices up, which had downstream effects on cotton production. In March 2022, logistics companies

warned of higher transportation costs and more delays, with the city of Shanghai in the midst of a two-phase lockdown in an already-constrained supply chain.

Ms Vats stated that world exports for 2021/22 were 9% lower than the previous season. However, the 2021/22 season was still above the previous 20-year average. She went on to explain that the current projections for the 2022/23 season are expected to fall by 3.2%.

She talked briefly about how the drought in the United States will likely reduce its exports in the 2022/23 season simply as a function of reduced production in the West Texas region. She also went on to explain how extreme flooding in Pakistan will likely necessitate increased imports, but this increased import would be contingent on global demand for textiles. If demand slows due to complications with macroeconomic conditions, then imports may not be as significant as they otherwise would under normal economic circumstances and a production shortfall.

Textiles Strategy

The Chair invited Mr Usman Kanwar, Head of Textiles, to make his presentation on Textiles Strategy.

Mr Usman started his presentation by stressing that textiles were now a major area of emphasis at the ICAC and that the plan the ICAC had developed to support this new area of focus was ambitious but achievable.

He continued by stating how remarkable the 2021 year had been for textiles and that textile exports had exceeded \$900 billion, of which cotton exports accounted for \$18 billion. The European Union is the largest textile importer and exporter in the world, while the United States is the world largest textile importing country with \$127 billion in 2021. He mentioned that African countries are leading cotton exporters but have yet to develop a textile value chain despite having all the necessary ingredients to build the required infrastructure.

He went on to explain in more detail the textile vision the ICAC is developing. This vision includes the B2B Textile Portal, a web-based platform designed to provide credible sourcing for buyers and supplies. Another component is The International Textiles Research Council, a group to connect universities with research departments and textile machinery manufacturers, dye manufacturers, engineers working in textile factories, and fashion designers. And finally, the 'Plenary Meeting – Textiles Plus' concept which will be a parallel track during the annual Plenary Meeting to focus on exhibitions, fashion shows, and textiles-oriented awards.

He concluded by stating that the B2B portal will be available by the end of January 2023 and that he will continue to work with delegates, coordinating agencies, and the private sector to launch this strong vision into reality.

Production and Trade Subsidies Affecting the Cotton Industry

The Chair invited ICAC Economist Ms Lorena Ruiz to make her presentation on Production and Trade Subsidies Affecting the Cotton Industry.

Ms Ruiz explained that government subsidies for cotton included several different programmes, such as direct support to production, border protection, crop insurance subsidies and minimum support price mechanisms, as well as input and transportation subsidies. Each of these support programmes have different provisions and effects on the cotton sector. The ICAC Secretariat has estimated that subsidies to the cotton sector reached a total of \$3.5 billion dollars in the 2021/22 crop year. She explained that due to the high cotton prices in the 2021/22 season, many government assistance

programs were not in effect. She further explained that this low level of assistance has not been seen since the 2010/11 season when prices reached record levels on the Cotlook A-Index.

Subsidies provided by various countries were explained at length, especially the Chinese model of reserve pricing, target price-based system, direct subsidy payments and transportation especially for Xinjiang and import quotas or sliding rates. The United States Assistance rate was explained as well as the systems in use in India, Turkey the European Union and West Africa.

She concluded by encouraging people interested in the fully detailed analysis to access the complete report on the ICAC website in the Publications section.

ICAC Research Support

The Chair invited Dr Keshav Kranthi, ICAC Chief Scientist, delivered his presentation on the ICAC Research Support.

Dr Kranthi started with a summary of the various ICAC projects, Research Networks and Publications under direct supervision of the Chief Research Scientist. Under projects he mentioned four programs: training master trainers in Cameroon and Burkina Faso, virtual reality (VR) training, the ICAC Cotton Expert App for low-literacy farmers in 26 languages, and Sustainable yields through Regenerative Agriculture in Zambia. Under research networks he highlighted the XV Southern & Eastern African Cotton Meeting held in Mozambique and the World Cotton Research Conference-7. Finally, under publications he highlighted that the ICAC had produced a number of manuals (2) and pocketbooks (6), videos (14), PPTs (12) and VR films (3), the ICAC Expert App, the ICAC Cotton Data Book 2022 and the ICAC Recorder. He then went on to explain in more detail each of these programs, research networks and publications.

Dr Kranthi noted that the Researcher of the Year 2022 is Dr Jodi Scheffler, a cotton genetics researcher at the USDA Crop Genetics Research Unit and Adjunct Professor at Mississippi State University in the United States.

He ended his presentation with examples from the forthcoming ICAC Cotton Databook 2022, a massive 500+ page compendium of information of cotton production, cost of cultivation, cropping systems, fertilizer use, pesticide use, water footprints, among many other subjects related to cotton.

With the conclusion of Dr Kranthi's presentation, the floor was opened to questions from delegates and the general audience.

Dr Terry Townsend posed a question to Ms Lorena Ruiz related to cotton subsidies, that it was his understanding that over half the government subsidies in 2021/22 were fertiliser subsidies to India and if that was correct what would be the impacts of those subsidies on the world cotton industry? Ms Ruiz replied that in 2021/22 we had very high prices and many government support programs were not in effect. She further replied that in 2021, India had more fertiliser support for not only cotton but other crops as well. Due to the high fertiliser prices, the Indian government was providing more money in subsidies in 2021/22 season. She explained that one of the variables we have been looking at since 2010 are subsidies given by various countries. The heterogeneity between countries is large and each country needs to be looked at individually to know how they will respond to various support measures. A general analysis is often not possible.

The second question was asked by the delegate from Pakistan, Dr Talpur, who requested that Mr Looney provide his views on future cotton prices. Mr Looney informed him that given the current level of production and the estimated demand, prices were expected to stay low for the remainder of this season and possibly into the next. He further explained that given the uncertainty surrounding global

macroeconomic conditions that price volatility will likely remain high through this season and was largely dependent on whether we enter a mild or major recession in the near future.

A third question was asked about government subsidies, noting that there seems to be a negative correlation between government subsidies and price. Ms Ruiz agreed that it was price that pushes subsidies up and down.

The final questions were about organic cotton: Would organic cotton gain more area and production? Would there be increased assistance to support more organic cotton? Is there any data comparing organic cotton with conventional cotton regarding water use efficiency? Dr Kranthi responded that organic cotton production globally is on the rise, although we do not have specific information of subsidies provided to organic cotton specifically. He further explained that the ICAC does not currently collect data related to water use efficiency between organic cotton versus conventional cotton; the ICAC's data on water use efficiency is aggregated to include all forms of cotton. Ms. Ruiz completed the answer on subsidies and referred individuals to the complete analysis report on subsidies to see information on a single country that did provide data on subsidies related to organic cotton.

The chair closed the session at 10:50 am.