79th Plenary Meeting – Virtual

MINUTES

Reports from the ICAC Secretariat

09:45 am to 11:15 (GMT-5), Monday 6 December 2021
Chairman: Mr. Anshul Sharma

Mr Anshul Sharma opened the session by inviting Mr. Matthew Looney, Data Scientist at the International Cotton Advisory Committee to deliver his presentation. Mr. Looney made his presentation on World Cotton Market.

World Cotton Market

Mr Looney noted that the Cotlook A-Index price has risen dramatically during the 2020/21 season and current price of cotton is at a level not seen in over 10 years. He indicated that the high volatility in prices is likely to remain intact for the remainder of the 2021/22 season but it is unlikely the price will continue to increase much beyond the current point.

He noted that the Secretariat’s current projection for consumption in 2021/22 is 25.63 million tonnes, a 0.13% decline over the previous season. Ending stocks for the 2021/22 season are estimated to increase 1% to 20.46 million tonnes.

Mr Looney concluded his presentation by pointing out that if mill use remains strong then consumption will outpace production and resultantly Price is likely to remain elevated for the remainder of the 2021/22 season. He suggested that global stocks are currently sufficient to accommodate increased demand which is estimated to increase slightly into the 2021/22 season. Further, if strong demand materializes and production remains at or below the current forecast, global ending stocks could drop significantly.

World Cotton Trade

The Chair invited Ms Parkhi Vats, Commodity Trade Analyst at International Cotton Advisory Committee (ICAC) to deliver her presentation.

Ms Vats made her presentation on World Cotton Trade. She noted that the previous season saw the global economy undergo an unusual slowdown due to pandemic-induced lockdowns, business closures, shipment and transport restrictions, in a way that was never experienced before. She provided an overview of the exports, imports and consumption country wise and region wise. She also highlighted the major gainers and losers in last decade specially in last two years.
It was also noted that amongst the many variables that impact trade, three major ones have the potential to impact trade in 2021/22 season. They are trade policies and trade tensions between countries, the progress of the cotton crop and the effects of the on-going pandemic and supply chain disruptions. She discussed major partnerships among countries, specifically China-US, China-Brazil, India-Pakistan etc and then provided a comprehensive summary of world demand and supply and importantly, supply side disruptions.

Ms Vats noted that while factory operations have revived in consuming countries, concerns about the spread of Covid-19’s new variants and rise in cases still pose a threat to the recovering cotton sector. She concluded with the message that while governments are trying to resolve these issues, it is expected that some of these issues may last way into the current season.

**World Textile Fibre Demand**

The Chair invited M. Lorena Ruiz, ICAC Economist, to deliver her presentation on World Textile Fibre Demand.

Ms Ruiz noted that in 2020, the global fibre demand experienced an overall steep decrease of 5% caused by the covid-19 pandemic and the global economic downturn. The decline occurred after 11 years of continuous expansion, and its magnitude was higher than the decline observed during the financial crisis of 2008/09. She noted that that global fibre textile demand is poised to recover in 2021 and that the Secretariat is forecasting a total growth of 9% to reach a total of 107 million tonnes, the highest level ever recorded. In 2020, global apparel exports decreased by 11%, almost $420 billion dollars, lowest in eight years.

Ms Ruiz pointed out that the main competing fibre for cotton or any other natural fibre was demand for polyester. She noted that the demand for cellulosic fibres has shown a rapid growth in recent years, increasing from 2.7 million tonnes in 2008 to a new record of 6.3 million tonnes in 2019.

Ms Ruiz concluded her presentation by noting that governments and organisations are promoting a more sustainable fashion industry and this means more consumption of cotton, sustainable fibre compared to its rival, polyester.

**Textiles, Global Challenges and ICAC**

The chair then invited Mr Usman Kanwar, Head of Textiles, to make his inaugural presentation on ‘Textiles, Global Challenges and the ICAC’.

Mr Usman noted that global trade in textiles was addressed under the WTO Agreement on Textiles and Clothing (1994) and on 1 January 2005, quotas were eliminated from the textile value chain. However, the Doha Round was not concluded, therefore import tariffs were not further reduced. He said that the textile trade has increased from $96 billion in 1980 to $800 billion in 2020 and in the post-quota era, textile trade has doubled. He discussed various models for the development of the textile value chain and noted that overall, the trading system has changed from one that was producer-driven to big and few retail- and buying-house driven. Moreover, to cater the larger orders, production has been concentrated to on a few countries.

He raised concern that policies were not favouring the development of small and medium businesses in the textile and apparel value chain and the importance of government support especially regarding the costs associated with doing business for domestic producers to allow them to be competitive in international markets. Mr Usman also highlighted the opportunities
available by addressing challenges such as market access; concessions available to some countries; sustainability through compliance certifications; intellectual property rights; second-hand clothing; the impact of high import tariffs; the use of non-tariff barriers (NTB), technical barriers on trade (TBT) and other trade defence measures. He emphasised the importance of market access for all elements of the cotton trade and the opportunities created by e-commerce and technical textiles in the sustainable development of a country’s textile sector within developing countries. Mr Usman pointed out that other important challenges were to balance profit-sharing among the various segments of the value chain and importantly to be part of the global value chain.

Mr Usman also noted that the ICAC’s recognition of the importance of the textiles value chain for the sustainable development of cotton resulted in the creation of the Head of Textiles position he now holds. Another important development was the formation of the Public Sector Advisory Council (PSAC) comprising cotton producers, ginners, traders, textiles value chain, machinery allied industries, brands and retailers. The PSAC will play a very important role in providing a forum for the entire value chain to discuss and highlight challenges and develop proposed solutions for consideration by member governments.

Mr Usman explained that the ICAC’s vision will be to help develop a sustainable, global textiles and clothing value chain comprising producers, manufacturers, allied industries, distributors, retailers and brands to fully utilise the potential for member governments to generate maximum value addition and create maximum employment.

He concluded his presentation by noting that the ICAC is unique among other international commodity organisations as it represents and engages the entire value chain including governments.

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

**Production and Trade Subsidies Affecting the Cotton Industry**

Ms Ruiz indicated that government subsidies for cotton included a number of different programmes, such as direct support to production, border protection, crop insurance subsidies, 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 $6.95 billion dollars in the 20/21 crop year, an 18% decrease from the $8.5 billion dollars observed in 19/20.

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 also import quotas or sliding rates.

It was noted that the Chinese government uses different tools to support cotton, with the total value of the many programmes linked to cotton being unknown. The total sum of known programmes provided to producers in China is estimated at $3.9 billion in 2020/21. Ms Ruiz noted that the US government provides support to cotton producers through several programmes such as cotton insurance premium subsidies. The sum of all types of support programmes tied to planted cotton that are provided to U.S. producers was $625 million dollars in 2020/21, while Price Loss Coverage (PLC)/Agricultural Risk Coverage (ARC) payments reached $454 million dollars.
The government of India also provided several programmes to support cotton farmers such as the Minimum Support Price (MSP) system. She pointed out that in mid-November, the Cabinet Committee on Economic Affairs in India had approved a total of 174 billion rupees (equivalent to about US$2.4 billion) to reimburse the losses that the Cotton Corporation of India incurred due to the MSP procurement between marketing years 2014-15 and 2020-21. Ms Ruiz also provided details of subsidy programs in European and African countries.

ICAC Cotton Data Book

The Chair invited Dr Keshav Kranthi, ICAC Chief Scientist, to deliver his presentation on the ICAC Cotton Data Book. Dr Kranthi noted that the current edition of the publication has data on cotton production and cotton trade of 38 major cotton-producing and -consuming countries. Cotton production data included information from different cotton-growing provinces, states or regions of each of the countries listed and covered aspects related to the number of farmers, area, production, productivity (yield), seed processing, tillage methods, planting methods, stalk usage, weeding practices, methods of harvesting and ginning, spray application methods, fertiliser usage, cropping systems, water footprint, cost of production, cost of cultivation, etc. Dr Kranthi compared the sustainability impact of cotton on various regions. In particular, he noted that globally, more than 22.0 million farmers cultivated cotton in 2020 and that India, China, Africa and Pakistan host 95% of the global cotton farmers. Cotton farming provides sole income and supports livelihoods for the 22 million small-holder farmers in Asia and Africa. India, China, Africa and Pakistan also provide farm employment of 2.4 billion man-days every year, he said, and then comprehensively shared the data sets for various regions and major countries for environmental and economic aspects of cotton. Dr Kranthi concluded his presentation with the recommendation that there was an imminent need for Asian countries such as India, Pakistan and Uzbekistan to focus on precision farming to increase fertilizer use efficiency and for Africa, India and Pakistan to adopt best practices for yield enhancement to improve land-use-efficiency and economic sustainability.

Mr Kai Hughes, ICAC Executive Director, then opened the forum for questions. The first 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 although stocks were at a level where prices were not expected to go beyond current levels. He did state, however, that there are many factors such as supply-chain disruptions, pandemic restrictions and new variants of the pandemic which made it difficult to know exactly how prices will respond. Ms Ruiz also contributed by noting that whenever prices are higher than 90 cents/lb, historically, the following year production increases and prices decrease.

Mr Nahibrahim, delegate from Sudan, suggested that non-technical and other aspects of cotton be covered in the various ICAC reports and newsletters. Dr Kranthi noted the comment and agreed to discuss it with the International Cotton Researchers Association (ICRA) which had produced the reports.

The delegate from the United States, Mr Patrick Packnett, asked Ms Vats to further elaborate on the China-Brazil Memorandum of Understanding (MoU) on cotton. Ms Vats replied that she would provide the information to him.

With time being exhausted, the Chair thanked the presenters and participants and formally closed the session.