INTERNATIONAL COTTON ADVISORY COMMITTEE

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Statement of the 69th Plenary Meeting

"***Cotton Industry Growth through Global Unity***"

The International Cotton Advisory Committee (ICAC) met in Lubbock, Texas, USA during September 21-25, 2010 for its 69th Plenary Meeting since the establishment of the Committee 71 years earlier. Nearly four hundred people attended the meeting, including representatives from 39 governments and 9 international organizations. The Committee welcomed the Government of Mozambique as its newest member. The theme of this Plenary Meeting laid emphasis on unity and aptly summarized the need to ensure that the common interests of all stake holders in the cotton value chain, including farmers, ginners, traders, textile mills and consumers, are adequately addressed.

1.1. The Secretariat reported that world cotton production is expected to rise by 16% in 2010/11, encouraged by the significant rise in cotton prices during the past year. Cotton mill use is also recovering from the steep decline during the global recession, and world cotton trade is rising with increased consumption. The Secretariat estimated that average cotton prices during the current season would be at their highest level since 1994/95. However, the Secretariat cautioned that preliminary forecasts for next season (2011/12) suggest that stocks could rise, indicating an eventual decline in cotton prices.

1.2. The Committee noted that some countries were particularly concerned with the risks posed by price volatility to producers, ginners, traders and textile mills, and recommends that price issues should continue to be the focus of ICAC surveillance, and data collection. The Committee recognized the need to enhance dialogue between cotton producers and cotton consumers to improve cotton market data, and transparency.

2.1. The ICAC supported the UN definition of sustainability as development that meets the needs of the present without compromising the ability of future generations to meet their needs. Member governments recognized that cotton producers have made great strides in improving the environmental and social dimensions of sustainability over the last two decades through the use of new technologies and improved management practices.

2.2. The Committee received a report from its Expert Panel on Social, Environmental and Economic Performance of Cotton Production (SEEP) on pesticide use in cotton, which is a common concern whenever the theme of sustainability of cotton cultivation is discussed. According to SEEP, even though world production doubled, cotton's share by value of global pesticide consumption declined from 11% in 1988 to 6.2% in 2009. SEEP developed eight recommendations, and all eight of the recommendations on pesticide use in cotton were accepted by the ICAC:

1. WHO Hazard Class I pesticides should be eliminated in countries where adequate provisions for their management are not in place.
2. Cotton-producing countries where the use of pesticides other than herbicides is higher than 1 kilogram of active ingredient per hectare should analyze and address the causes of such use.

3. The use of active ingredients that account for the highest contribution to the environmental toxic load should be minimized to reduce the environmental hazards to aquatic organisms and bees.
4. Pesticides known to pose risks to unborn or breast-fed children should be eliminated from the cotton production system.
5. Governments, with the involvement of all concerned stakeholders in the cotton sector, should make a strong effort to promote best management practices in plant protection and to reduce reliance on pesticides and subsequent risks to the environment and human health.
6. Governments should consider both environmental and health risks while formulating clear policy statements relative to pesticide risk reduction.
7. Governments should promote the collection of reliable crop-specific data related to pesticide use.
8. Follow-up risk assessment studies should be conducted.

In addition, the Committee strongly affirmed that SEEP should continue and extend studies to interested cotton producing countries.

2.3. The Committee received a report from its Secretariat indicating that the world cotton industry is being maligned by some criticisms that are inaccurate, exaggerated or distorted allegations of waste, abuse and harm associated with cotton production. It was noted that the cotton industry has been responding to valid concerns for decades by acknowledging the need for improvement, working to develop pragmatic approaches, and encouraging adoption of best practices. The Committee agreed that there are valid concerns associated with cotton production practices, and improvements are needed. However, there is a need to confront those who criticize the cotton industry for commercial advantage, and the Committee instructed the Secretariat to work with the Standing Committee, the Private Sector Advisory Panel, the International Forum for Cotton Promotion and industry organizations to provide fact-based information about the performance of the cotton industry.

2.4. The Committee received a report from its Private Sector Advisory Panel (PSAP) about phytosanitary requirements for cotton moving in international trade. The Committee agreed with the PSAP that the Secretariat should provide additional information on phytosanitary requirements for trade in cotton. The Committee instructed its Secretariat to work with the Standing Committee to encourage all countries to adopt harmonized phytosanitary requirements for trade in cotton.

2.5. In addition, the PSAP reported that it appreciates all initiatives intended to improve cotton production practices. However, the PSAP expressed concerns about some retailers and others in the value chain using programs designed to improve production practices as tools of public relations for competitive advantage. The Committee instructed its Secretariat to compile a glossary of terms and a roster of participants in the many and various programs and initiatives working for improvements in cotton production practices.

2.6. The Committee noted that “sustainable” production and “organic” production are not synonymous, and many cotton production systems ranging from those that are highly capital intensive to those that are highly labor intensive can be sustainable. Organic production is one option for sustainable production. The Committee agreed that a session on organic cotton production would be conducted during the 70th Plenary Meeting.

3.1. The Committee was informed that the term “cotton technologies” today often refers to “transgenic technologies” and that transgenic cotton is now commonplace, making it possible to incorporate desirable traits that would otherwise not be available by expanding the gene pool for cotton breeding to other species. Scientists indicated that DNA markers are enabling conventional breeders to greatly improve the odds of finding favorable recombinants for traits that are

quantitatively inherited, such as fiber yield and quality. In countries using mechanical picking, one of the greatest advances in cotton research in recent decades has been the development of pickers equipped with electronic weigh systems, making it possible to improve selections in breeding programs. Breeders are now using an index called, "quality score," to aggregate six fiber quality parameters into one measurement, further aiding selections in breeding programs.

3.2. The Committee was informed that biotechnology is an important tool to improve the sustainable production of cotton. It was also noted that some countries that do not use transgenic cotton seeds also achieve high yields while using only minimal amounts of insecticides. Further, some countries are concerned that the high costs of transgenic cotton seeds, and the greater requirements of technology management and knowledge transfer from seed companies to farmers, pose a potential threat to the economic viability of cotton production in those countries.

3.3. Governments took note that many of the emerging technologies that will influence the structure of the world cotton industry are expensive to develop. Several Members of the ICAC voiced support for the creation of an International Center for Cotton Research (ICCR) during the 68th Plenary Meeting in 2009. Many governments still consider that an ICCR could lower the cost through innovative technologies and speed up the development in cotton research. The ICCR could expand the adoption of cotton technology through greater coordination of efforts. The Committee noted that the Standing Committee is to prepare a report for consideration at the next Plenary Meeting.

3.4. The ICAC was informed that the use of the term "natural fiber" by the cotton industry has been challenged because of the employment of genetic engineering in over half of all cotton produced. The ICAC agrees that the fiber produced from cotton plants is a "natural fiber," regardless of production methodology or seed technology.

4.1. The Secretariat reported that subsidies to the cotton industry totaled US$3.5 billion in 2009/10, down from US$6.2 billion in 2008/09. Seven countries provided subsidies in 2009/10 averaging 13 cents per pound, down from nine countries providing an average of 14 cents per pound in 2008/09. The Secretariat noted that these subsidies distort the world cotton economy, and many countries urged immediate elimination. The report was limited to direct support to production, border protection, crop insurance subsidies, minimum support price mechanisms and export subsidies.

4.2. The Committee reaffirmed the urgent necessity for an ambitious and balanced conclusion to the Doha Round with development as its centerpiece. The Committee encouraged all WTO Members to contribute to bringing the Doha Round to a balanced and ambitious conclusion through negotiations, flexibility and compromise. ICAC Members reiterated that cotton is an integral part of the Doha Development Agenda (DDA) and that there can be no completion of the DDA without a solution on cotton. WTO Members have agreed that cotton will be treated ambitiously, expeditiously and specifically within the overall negotiations on Agriculture.

4.3. The Committee agreed that countries need to avoid the use of protectionist measures in a closely integrated cotton economy. Members of the ICAC understand that such measures lead to uncertainty, volatility, and distortions to cotton trade.

Appreciation of U.S. Hospitality: The Committee thanked the people, the Government, and the cotton industry of the United States and the people of Lubbock for their hospitality and organization in serving as host of the 69th Plenary Meeting. Members of the ICAC noted that the United States has hosted 17 plenary meetings since the creation of the Committee in 1939, and the commitment of the United States to unified actions in pursuit of common goals within the world cotton industry was much appreciated.

Future Plenary Meetings: The Committee enthusiastically accepted an invitation from the Government of Argentina to host the 70th Plenary Meeting in 2011.

MEMBER GOVERNMENTS
Argentina, Australia, Belgium, Brazil, Burkina Faso, Cameroon, Chad, China (Taiwan), Colombia, Côte d'Ivoire, Egypt, Finland, France, Germany, Greece, India, Iran, Israel, Italy, Kazakhstan, Kenya, Korea (Republic of), Mali, Mozambique, Netherlands, Nigeria, Pakistan, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United States of America, Uzbekistan, Zambia, Zimbabwe.

(September 24, 2010 @ 7:10pm)

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REPORT OF THE COMMITTEE ON COTTON PRODUCTION RESEARCH

"***Cotton Industry Growth through Global Unity***"

The International Cotton Advisory Committee (ICAC) met in Lubbock, Texas, USA during September 21-25, 2010 for its 69th Plenary Meeting since the establishment of the Committee 71 years earlier. Nearly four hundred people attended the meeting, including representatives from 39 governments and 9 international organizations. The Committee welcomed the Government of Mozambique as its newest member. The theme of this Plenary Meeting laid emphasis on unity and aptly summarized the need to ensure that the common interests of all stake holders in the cotton value chain, including farmers, ginners, traders, textile mills and consumers, are adequately addressed.

1. The Committee on Cotton Production Research of the ICAC organized a Technical Seminar on the topic "How to Lower the Cost of Cotton Production." Papers were presented by experts from countries with large, capital intensive, leading-technology farming systems (Brazil, Turkey, USA), smallholder production systems (Zambia), and in countries in which production is constrained by heavy pest pressure (Pakistan). While there is the potential to achieve large increases in yields, the rising cost of cotton production is a major concern to all cotton producers.

1.1. Cotton is grown in four regions in Turkey, and there are significant differences in the cost of production among the regions. The average cost of production is high in Turkey because of high costs for land, labor, fuel and other inputs.

1.2. Cotton production in the USA utilizes high technology farming systems, thus requiring different approaches to lower costs. Among the technologies available is an autopilot, using the GPS, which guides a machine through a field according to a predefined line. Autopilot can be used with a sprayer, harvesting equipment or only at the time of cultivation. The system enables an operator to work more productively. The automatic boom control and the planter swath control also use the global positioning system and saves inputs by avoiding overlap when spraying insecticides, herbicides and foliar chemicals. With these systems, nozzles automatically stop if an area or row has already been sprayed, and the nozzle will automatically open when an unsprayed area or row begins. Dividing farms into management zones also allows a grower to save on inputs while raising yields.

1.3. Brazil has 215 million hectares of arable land, out of which 70% is suitable for agriculture, cattle, pasture and renewable energy exploration. Cotton occupies about one million hectares, most in the central west part of the country. Brazilian farmers have the highest level of recycling and correct disposal of agricultural packaging in the world. Employees get housing, are trained in accident prevention and work safety, and they are provided on-the-job training. Brazil is struggling to lower production costs through rational use of biotechnology and other inputs, with the ultimate objective of minimizing the environmental impact of cotton production.

1.4. The main reasons for high costs of production in Zambia are poor rural infrastructure, the high cost of inputs, minimal mechanization, low use of inputs and the lack of incentives to invest in

cotton production. These factors are common in Africa. Zambia is striving to lower the cost of production by improving soil fertility, by encouraging the use of IPM, through the promotion of low cost agricultural products, the promotion of labor saving farm machinery, the use of herbicides instead of manual labor, and through better harvest management.

1.5. Pakistan is focused on lowering production costs by optimizing input use and farming operations. Cotton growers in Pakistan generally have a sound understanding of cotton production technology, but yields are limited due to the cotton leaf curl virus and mealy bug. Researchers have contained both problems while limiting increases in the cost of production. Farmers in Pakistan enhance nitrogen fertilizer use efficiency by 15% by splitting nitrogen applications in consonance with crop growth. Foliar applications of urea at the rate of 2% saves from having to apply much higher doses of urea through soil applications. Pakistan is quickly shifting from flat planting toward planting on furrow-beds to save irrigation water. Pakistan adopted thresholds for the application of insecticides decades ago. However, frequent increases in energy costs are affecting the cost of production.

2. The ICAC supports four regional networks, and also cooperates with the African Cotton Association, in order to facilitate communication among cotton researchers. Since the 68th Plenary Meeting held in South Africa in September 2009, the 11th Meeting of the Latin American Association for Cotton Research and Development (ALIDA) was held in Argentina in June 2010. 140 participants from Argentina, Brazil, Colombia and Paraguay attended the meeting, along with the ICAC Secretariat and invited speakers from Australia and the USA. Countries presented reports on production prospects and the status of breeding and biotechnology research in their countries. Mr. Bonacic Ivan Kresic of Argentina was elected President of ALIDA. Paraguay agreed to host the next meeting of ALIDA in 2012.

3. Lowering the cost of cotton production is a complex challenge, and there is no easy solution appropriate for all cotton production systems. Labor costs are increasing even in developing countries. Mechanization and herbicide use are solutions that could be encouraged by governments in collaboration with the private sector and cotton producers. Biotech cotton can help to lower the cost of production in some cases, but it is not appropriate in all cotton production systems. Efficient input use and proper management of cropping systems must not be ignored in any cotton production system for lowering the cost of cotton production.

4. Biotech cotton is grown on over half of world cotton area, but only 11 countries have commercialized biotech cotton so far, although many more are considering adoption. Some member countries expressed the need to exchange information about biotechnology, and therefore it was decided to organize a round table for biotechnology in cotton, in which all member countries may participate.

5. The Committee on Cotton Production Research of the ICAC decided to hold the 2011 Technical Seminar on the topic “Technological Innovations for Sustainable Development of the Cotton Value Chain.”

MEMBER GOVERNMENTS
Argentina, Australia, Belgium, Brazil, Burkina Faso, Cameroon, Chad, China (Taiwan), Colombia, Côte d'Ivoire, Egypt, Finland, France, Germany, Greece, India, Iran, Israel, Italy, Kazakhstan, Kenya, Korea (Republic of), Mali, Mozambique, Netherlands, Nigeria, Pakistan, Poland, Russia, South Africa, Spain, Sudan, Switzerland, Syria, Tanzania, Togo, Turkey, Uganda, United States of America, Uzbekistan, Zambia, Zimbabwe.

(September 24, 2010 @ 7:10pm)

ICAC

SUPPLY AND DISTRIBUTION OF COTTON

September 24, 2010

Seasons begin on August 1

	2006/07	2007/08	2008/09	2009/10 Est.	2010/11 Proj.	2011/12 Proj.
	Million Metric Tons					
BEGINNING STOCKS						
WORLD TOTAL	**12.559**	**12.792**	**12.231**	**11.868**	**8.96**	**9.08**
CHINA	3.991	3.653	3.321	3.585	2.94	2.92
USA	1.321	2.064	2.188	1.380	0.65	0.52
PRODUCTION						
WORLD TOTAL	**26.757**	**26.029**	**23.338**	**21.795**	**25.25**	**26.41**
CHINA	7.975	8.071	8.025	6.850	6.96	7.24
INDIA	4.760	5.219	4.930	5.050	5.72	5.83
USA	4.700	4.182	2.790	2.654	4.10	4.15
PAKISTAN	2.121	1.876	1.891	2.019	1.89	2.08
BRAZIL	1.524	1.602	1.214	1.181	1.48	1.70
UZBEKISTAN	1.171	1.206	1.000	0.850	1.06	1.07
OTHERS	4.506	3.873	3.488	3.191	4.03	4.33
CONSUMPTION						
WORLD TOTAL	**26.429**	**26.509**	**23.504**	**24.639**	**25.13**	**25.52**
CHINA	10.600	10.900	9.265	9.867	10.02	10.15
INDIA	3.908	4.050	3.863	4.222	4.56	4.79
PAKISTAN	2.633	2.649	2.428	2.307	2.25	2.30
EAST ASIA & AUSTRALIA	1.864	1.835	1.680	1.816	1.87	1.88
EUROPE & TURKEY	2.084	1.744	1.409	1.537	1.52	1.52
BRAZIL	0.992	1.007	0.974	0.979	1.00	1.02
USA	1.074	0.998	0.781	0.751	0.74	0.69
CIS	0.681	0.664	0.596	0.607	0.59	0.58
OTHERS	2.593	2.662	2.508	2.554	2.58	2.60
EXPORTS						
WORLD TOTAL	**8.068**	**8.375**	**6.619**	**7.797**	**8.38**	**8.43**
USA	2.821	2.968	2.887	2.621	3.49	3.41
INDIA	0.960	1.530	0.515	1.390	1.09	1.10
UZBEKISTAN	0.980	0.900	0.630	0.820	0.82	0.78
CFA ZONE	0.924	0.595	0.467	0.554	0.57	0.57
AUSTRALIA	0.465	0.265	0.261	0.461	0.50	0.51
BRAZIL	0.283	0.486	0.596	0.433	0.52	0.65
IMPORTS						
WORLD TOTAL	**8.144**	**8.393**	**6.523**	**7.747**	**8.38**	**8.43**
CHINA	2.306	2.511	1.523	2.374	3.03	3.23
EAST ASIA & AUSTRALIA	1.899	1.860	1.665	1.874	1.88	1.91
EUROPE & TURKEY	1.340	1.081	0.861	1.155	0.98	0.98
PAKISTAN	0.502	0.851	0.417	0.337	0.39	0.30
CIS	0.322	0.271	0.239	0.219	0.20	0.19
TRADE IMBALANCE 1/	**0.076**	**0.018**	**-0.096**	**-0.050**	**0.00**	**0.00**
STOCKS ADJUSTMENT 2/	**-0.171**	**-0.100**	**-0.102**	**-0.010**	**-0.01**	**0.00**
ENDING STOCKS						
WORLD TOTAL	**12.792**	**12.231**	**11.868**	**8.965**	**9.08**	**9.97**
CHINA	3.653	3.321	3.585	2.937	2.92	3.24
USA	2.064	2.188	1.380	0.653	0.52	0.57
ENDING STOCKS/MILL USE (%)						
WORLD-LESS-CHINA 3/	**58**	**57**	**58**	**41**	**41**	**44**
CHINA 4/	**34**	**30**	**39**	**30**	**29**	**32**
COTLOOK A INDEX 5/	**59.15**	**72.90**	**61.20**	**77.54**	**89***	

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.
* The price projection for 2010/11 is based on the ending stocks/consumption ratio in the world-less-China in 2008/09 (estimate), in 2009/10 (estimate) and in 2010/11 (projection), on the ratio of Chinese net imports to world imports in 2009/10 (estimate) and 2010/11 (projection).
95% confidence interval: 76 to 106 cents per pound.