

## THE INTERNATIONAL COTTON ADVISORY COMMITTEE: SERVING THE WORLD COTTON COMMUNITY

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The paper presents the overall mission of the International Cotton Advisory Committee (ICAC), which is to serve as an intergovernmental knowledge-based organization to help create an enabling environment for the sustainability of the world cotton sector, and shows the various ways in which ICAC carries out its mission and supports cotton worldwide, by serving as a **forum** for the development of policies and solutions to strengthen the global cotton sector, enhancing **transparency**, encouraging the **development and dissemination of knowledge**, and promoting the **sustainability** of the world cotton sector.

International commodity bodies, such as the International Cotton Advisory Committee, play a unique role in their respective sectors, but their work is not always well understood or duly recognized. Interested parties in the world cotton sector tend to have only a partial and disconnected view of the work of the ICAC, specifically as it relates to their specific area of activity, be it intergovernmental cooperation, statistical analysis, research and so on. This paper provides a panorama of the work of the ICAC, enabling readers to “connect the dots” and see how the many different activities of the organization form a coherent whole.

In the first place, one must make a distinction between what the ICAC is and what it is not. ICAC’s overall mission is to serve as an intergovernmental knowledge-based organization to help create an enabling environment for the sustainability of the world cotton sector. Conversely, the ICAC is not a market regulator, even though most international commodity bodies were originally established to intervene in markets. Despite ICAC’s encouragement of the dissemination of certain standards in the sector, it is also not a standard-setting body, a function that is the responsibility of the International Organization for Standardization (ISO). Similarly, although it contributes to our understanding of the impact of various government measures on the world cotton economy, the ICAC is not a forum for international trade negotiations, a function that is carried out by the World Trade Organization (WTO).

In order to fulfill the mission statement stated above, the ICAC has four strategic objectives:

1. To serve as a **forum** for the development of policies and solutions to strengthen the global cotton sector;
2. To enhance **transparency**;
3. To encourage the **development and dissemination of knowledge**; and
4. To promote the **sustainability** of the world cotton sector.

Before examining the ways in which these four objectives are pursued, a brief overview of the entity’s governance structure is necessary. As noted above, the ICAC

is an intergovernmental organization, i.e. its members are national governments. The supreme decision-making body is the plenary, composed of high-ranking representatives from all member countries and which meets once a year. Short-term decision-making is vested in the Standing Committee, comprised of delegates from member countries who are based in Washington. The Standing Committee meets about six times every year. In addition, the work of the ICAC is supported by various working groups, some of which have an ongoing existence while others are formed to examine specific questions and subsequently disbanded after fulfilling their mandate. The most important example of the former is the Private Sector Advisory Panel (PSAP), which seeks to incorporate the assistance of the private sector in assisting the ICAC to accomplish its objectives. Other important examples of ICAC working groups are the Expert Panel on the Social, Environmental, and Economic Performance of Cotton (SEEP); the Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC); and the Task Force on Cotton Identity Programs (TFCIP).

## **FORUM FOR THE DEVELOPMENT OF POLICIES AND SOLUTIONS**

Plenary meetings of the ICAC offer a forum for the discussion of international issues of importance to the world cotton industry, and provide opportunities for industry and government leaders from producing, consuming and trading countries to consult on matters of mutual concern. They are intended to give concrete examples of the state of the art in cotton for possible application by governments of member countries. The issues discussed at the last plenary meeting included: land tenure; the role of women in the cotton sector; the effects of climate change on cotton cultivation; and metrics for the measurement of sustainability. The next plenary meeting, the 73<sup>rd</sup> in the history of the ICAC, will be held in Thessaloniki, Greece, from 2 to 7 November of this year. The preliminary theme is: “From land to brand: Strengthening the cotton value chain”. All those with an interest in cotton are strongly encouraged to attend. The various working groups also hold regular meetings. For example, during this edition of the Bremen International Cotton Conference, meetings will be held of the PSAP and the CSITC.

An important part of the ICAC’s policy work is related to distortions caused by government measures, such as subsidies, quotas and tariffs. For this purpose, the Secretariat periodically publishes a report on “Production and Trade Policies Affecting the Cotton Industry”, which provides independent and objective data on the size and nature of government measures affecting cotton production and trade.

## **TRANSPARENCY**

One of the ICAC’s most vital tasks is to provide neutral and reliable information in order to provide policy-makers and agents in the cotton value chain with a sound and transparent basis for decision-making. At the heart of ICAC’s work in transparency is the World Cotton Database, a rich source of statistics. ICAC and Generation 10 (G10), a leading provider of commodity supply chain software solutions, have recently launched a new database that provides annual country data covering 10 parameters (e.g., beginning stocks, production, exports etc.) for about 120 countries.

Data are available from the 1920/21 season until 2014/15 and can be exported into Excel. The new version replaces the old static database with an innovative, intuitive and powerful interface that allows users to digest and analyze the data more effectively.

One of the many uses of the contents of the database is to provide inputs to the ICAC's Cotton Price Forecasting Model, which forecasts season-average cotton prices. The model has been in existence since 1988 and was extensively revised in 2007. Although interventions in the market by the Chinese government have made forecasting more difficult, the model remains a valuable instrument for predicting future price movements.

In addition, the ICAC issues a series of regular publications, containing statistics and analysis prepared by the Secretariat. These are available free to member governments and for a fee to subscribers.

Publications on the cotton market include: Cotton This Week (weekly); Cotton This Month (monthly); Extra-fine Cotton Update (every 2 months); Review of the World Situation (quarterly); Outlook for Cotton Supply (annual); World Cotton Trade (annual); and World Cotton Market: Projections.

The world textile market is covered in: World Textile Demand (annual) and in the World Apparel Fiber Consumption Survey (issued in conjunction with the FAO). Access to the database is free of charge and information about subscriptions to publications can be found on the ICAC website.

## **DEVELOPMENT AND DISSEMINATION OF KNOWLEDGE**

In the area of development and dissemination of knowledge, international commodity bodies have benefitted greatly from their partnership in development projects with the Common Fund for Commodities (CFC) in recent years. The intended beneficiaries of CFC-financed projects are populations suffering substantial poverty, as well as populations and economies heavily dependent on cotton, with a focus on Least Developed Countries.

ICAC has several important functions in the project development and execution process, namely:

- Establishment of areas of priority for project activities;
- Analysis and advice on the preparation of projects;
- Approval of projects for subsequent submission to donor or financing organizations, as appropriate;
- Supervision of project execution; and
- Dissemination of results.

Over the years, the CFC has financed 24 cotton development projects sponsored by ICAC. The total value of these projects exceeds US\$ 63 million, of which US\$ 29.4 million were provided by the CFC (US\$ 23.7 million in grants and US\$ 5.7 million in

loans), while the balance is comprised of counterpart contributions (US\$ 24 million), grants from the European Union (US\$ 7.5 million) and co-financing (US\$ 1.9 million). These development projects have generated important gains for the world cotton sector and delivered concrete results for ICAC members. An example that is particularly relevant is the project entitled “Commercial Standardisation of Instrument Testing of Cotton for the Cotton Producing Developing Countries in Africa” (CFC/ICAC 33). Not only did it lead to the establishment of two regional technical centres in Africa, assisting African producing countries to develop the tools for instrument testing of cotton, but it also facilitated the work of the ICAC Task Force on CSITC, enhancing the competitiveness of cotton sector as a whole. In fact, one can truly say that the CSITC Round Tables, which have now become self-financing, would not have been viable without initial support from this project.

The CFC is now undergoing a process of institutional change and is unlikely to be able to assist the ICAC to the extent it did in the past. So, the search for new sources of project finance must be a priority, a topic that we will return to later on.

Another important facet of ICAC’s work in the development and dissemination of information is our relations with the world research community. Cutting edge research is essential to maintain cotton’s competitiveness vis-à-vis other crops and competing fibres. ICAC activities related to research include:

- The World Cotton Research Conference, which is held every five years and attracts hundreds of leading researchers all over the world. The next edition, the sixth in the series, will be held in Goiânia, Brazil, on 20-24 June 2016. All of those with an interest in the scientific aspects of cotton, whether plant biology, entomology, breeding, genomics, agronomic practices and many other scientific fields, will benefit from participating in this, the premier event on the world cotton research calendar.
- The Research Associate Program provides an opportunity for persons in member countries to receive additional training in cotton research, marketing, statistics and economics. The ICAC Secretariat conducts the programme each year in the USA, alternately in production research and economics/marketing of cotton. The 2013/14 Programme will be held from 4-11 May 2014 and will have as theme “Technology Innovations for Improving Cotton Productivity”. Registrations are now closed, but interested parties should consult the ICAC website later on in 2014 for information about next year’s edition.
- The ICAC Researcher of the Year Award recognizes leading researchers in the field of cotton. It was initiated in 2009 and seeks to raise awareness of the importance of research to the improvement of the world cotton sector and provide international recognition of exceptional achievements.
- The International Cotton Researchers Association (ICRA) was formed at the last World Cotton Research Conference, held in Mumbai in 2011. The objectives of the Association are to enhance collaboration, establish priorities and guide the development of international conferences and journals devoted to the exchange of cotton science.

In addition to these initiatives, the Technical Information Section of ICAC issues regular publications. These include the ICAC Recorder, which presents the latest scientific and technological developments in cotton production research and is published every quarter, and the Cost of Production of Raw Cotton, Cotton Production Practices and Current Research Projects in Cotton, which are published on a rotating basis every three years.

## **SUSTAINABILITY**

Awareness of the need for sustainable practices throughout agricultural value chains has been growing in the past two decades. As a result, the Expert Panel on the Social Environmental and Economic Performance of Cotton Production (SEEP) was formally established by ICAC in 2006.

The primary objective of the Panel is to collect and review independent, science-based information on the negative and positive social, environmental and economic aspects of global cotton production, as well as to make recommendations for further action as appropriate to improve the social, environmental and economic performance of the cotton industry. Over the years, SEEP has not only reviewed existing information, but has also commissioned and supervised scientific studies to deepen our understanding of key aspects of cotton production performance, including: pesticide use; production efficiency in the use of land, water and energy; labour issues and costs; and compliance monitoring and performance evaluation mechanisms.

During the 2013 ICAC Plenary Meeting, the SEEP released the executive summary of a forthcoming report on “Measuring sustainability in cotton farming systems: Towards a guidance framework”, which provides an overview of sustainability issues in cotton and takes stock of indicators used to measure sustainability. The latter are then rated to arrive at a set of common indicators that can serve as a basis for discussion within the industry on the development of a framework to further enhance sustainability.

The key issues were organized into the three pillars of sustainability (environmental, social and economic) as follows:

### **ENVIRONMENTAL**

#### Pest and pesticide management

- Integrated pest management
- Pesticide use
- Human exposure
- Environmental contamination
- Pesticide waste management

#### Water management

- Water depletion
- Crop water management

- Soil salinization
- Water quality

#### Soil management

- Soil fertility
- Soil erosion
- Land Use
- Land conservation
- Land productivity
- Biodiversity

#### Climate change

- Decomposition and mineralisation
- Energy use
- Carbon stock changes

### **ECONOMIC**

Economic viability  
 Poverty reduction  
 Food security  
 Risk management

### **SOCIAL**

#### Labor rights and standards

- Child labor
- Employment conditions
- Freedom of association
- Social protection

#### Occupational health and safety

Equity and gender  
 Farmer organisation

So, despite not being directly involved in the certification of sustainability, ICAC provides important guidance to the world cotton sector on how to measure this elusive subject.

Furthermore, ICAC seeks to improve the economic sustainability of the sector by reducing trade “friction”.

The most important example of this is in Instrument Testing, a response to growing industry demands for objective and reliable test results. Instrument testing helps enhance demand by 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. Only a worldwide harmonised control and testing system can favour a frictionless business environment for all participants in the whole commercial chain. The CSITC programme, which relies heavily on the cooperation of the Bremen Cotton Exchange, has been an outstanding success.

A second area where ICAC is assisting the cotton trade is in questions related to contract sanctity. The high levels of price volatility in recent years have led to contract defaults that impose costs on the entire cotton chain. Although defaults are primarily handled by the private sector, the ICAC Secretariat supports contract sanctity by: raising awareness about the issue with member governments; cooperating with the United Nations Commission on International Trade Law (UNCITRAL); providing information about efforts to standardise trading rules; and publicizing the negative impacts of contract defaults on world cotton trade.

Another area in which ICAC is active is in encouraging its member governments to move towards standardized bale sizes, density and numbering, in order to harmonise trading practices and reduce waste and uncertainty.

A fourth opportunity for harmonisation lies in the phytosanitary certificates that accompany all international cotton shipments. A study conducted by ICAC in 2010 found many differences among importing countries with regard to time limits, allowable methods of fumigation and other supporting documentation. In order to reduce paperwork and possible disruption to trade flows, ICAC encourages member governments to adopt the guidelines established by the Food and Agriculture Organization of the United Nations (FAO).

## **CHALLENGES**

Finally, let us examine the challenges faced by the ICAC and the cotton sector as a whole.

On an institutional level, ICAC faces two major challenges: membership and project finance.

With regard to membership, the entry of the EU into ICAC as a single member is currently being negotiated. Since it is the largest market in the world, EU participation in ICAC is a welcome development. However, the practical details of EU accession are complicated and unprecedented. One of the biggest concerns of ICAC members is that we do not lose the multiplicity of voices from within the EU that currently contribute so much to the success of our organization. In this regard, it is important that the private sector in Europe conveys to their governments to maintain a diverse representation in ICAC. Although presenting some difficulties, I am confident that a mutually satisfactory solution can be found in the near future.

The second major challenge confronting ICAC is that of project finance. As we have seen, projects are an important facet of ICAC's work. In the past, the Common Fund for Commodities has played a major role in project finance. However, the CFC is undergoing a process of change and shifting to much less attractive conditions for financing projects, relying more on loans and less on grants. These changes make

the CFC much less attractive than previously. The search for new sources of project finance must therefore receive a high priority.

On a wider level, cotton, as with agriculture as a whole, faces tremendous challenges, including the need to:

- Strengthen research in areas such as biodiversity conservation, development of new varieties, carbon sequestration;
- Strengthen support services and capacity-building, ensuring that gains in research are effectively passed on to farmers;
- Implement adaptation and mitigation strategies to offset climate change and other adverse effects of weather;
- Increase yields, thereby reducing the negative impact of competition for land with other crops;
- Improve access to financial services (credit & risk management), so as to diminish the vulnerability of farmers to volatile markets;
- Enhance social sustainability by empower women and attracting youth to agriculture; and
- Find ways to escape commoditization and add value.

All of these difficulties are serious, but not the privilege only of cotton; most agricultural commodities are in the same situation.

Most alarming is that cotton also faces weak demand growth. While consumption of most other crops grows steadily in line with increases in population and income, one cannot take this for granted in the case of cotton. Cotton is not only losing market share relative to competing fibres, absolute growth in demand for cotton has been anemic. This is our greatest challenge as a sector. Although responsibility and access to funding for promotion lies primarily in the private sector, ICAC will continue to do its share, by supporting the International Forum for Cotton Promotion (IFCP) and raising awareness among member governments about the need to support generic promotion campaigns. We have important examples of the impact this type of promotion can have within our own sector. We must do much more to strengthen demand throughout the world.

In this, and in all other areas where it is present, you can be sure ICAC will be a partner in all efforts to support the world cotton sector.