



19 October 2020

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**Committee on Agriculture  
Special Session  
Sub-Committee on Cotton**

**REPORT - INFORMATION SESSION ON COVID-19  
AND COTTON "FROM FACTS TO SOLUTIONS"**

30 July 2020<sup>1</sup>

1. The Chairperson, Deputy Director-General Alan Wm. Wolff, introduced the Information Session by highlighting the importance and timeliness of the event, organized by the WTO Secretariat at the request of the C4 to better understand the socio-economic impacts of the COVID-19 pandemic on cotton value chains, particularly in Africa. He noted that the rationale behind the Session was to initiate a discussion, based on reliable and updated data, on possible solutions to address the short-term effects of the COVID-19 crisis, and build a more sustainable and resilient cotton sector in the long term.
2. He reported that, according to the latest estimates, global growth was projected to contract by around 5% in 2020 as a result of the COVID-19 crisis. This could push between 70 to 100 million more people into extreme poverty. This increase in poverty rates was likely to be concentrated in the poorest and most vulnerable countries, notably in South Asia and Sub-Saharan Africa, including cotton-producing African countries.
3. With the drop in international purchases caused by COVID-19, he noted, the latest estimates by the International Cotton Advisory Committee (ICAC) foresaw that global demand of cotton could decrease by around 13% for the 2019-2020 season. Falling demand, paralleled with high production levels, was expected to lead to increased stocks with both medium- to long-term downward pressure on world cotton prices.
4. The C4 had highlighted that, as a result of the COVID-19 crisis, on average 70% of the fibre they had produced in 2020 remained trapped in their factories, transit hubs or ports, and weather conditions were severely affecting the quality of the fibre too. Beyond these measures of the impact on cotton markets and production, the COVID-19 crisis was affecting the economic sustainability and the lives of millions of farmers all over the world, and especially the smallest and most vulnerable ones.
5. He concluded by introducing the agenda of the Session (see Annex 1) and highlighting that a central purpose of the Session was to collect reliable facts and data. He further stated that every crisis should be turned into an opportunity, if possible. In this case the objective would be to understand how to create more sustainable and resilient cotton markets and value chains. He then called on the first speaker of the day, the representative of ICAC, to make a presentation<sup>2</sup> that would set the scene in terms of facts and figures depicting COVID-19 impacts on cotton and textile supply chains worldwide.
6. The Executive Director of ICAC, Mr Kai Hughes, first recalled that ICAC had been reporting extensively on the topic at hand since the outbreak began, with a series of Zoom interviews with global leaders called Cotton Connects, about how COVID-19 was affecting their sector or region in particular and looking at possible solutions. ICAC produced a special issue of "The ICAC Recorder" with 22 different reports from all over the world looking at the impacts of COVID-19, culminating with a special report on the role of facemasks in preventing the virus spreading. In addition, ICAC

<sup>1</sup> See also dedicated webpage on [https://www.wto.org/english/tratop\\_e/agric\\_e/info\\_sess\\_cott\\_30jul20\\_e.htm](https://www.wto.org/english/tratop_e/agric_e/info_sess_cott_30jul20_e.htm).

<sup>2</sup> Presentation available at [https://www.wto.org/english/tratop\\_e/agric\\_e/info\\_sess\\_cott\\_30jul20\\_e/hughes\\_e.pdf](https://www.wto.org/english/tratop_e/agric_e/info_sess_cott_30jul20_e/hughes_e.pdf).

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was setting up regular meetings with their member countries to understand first-hand what was happening on the ground. And finally, every month through the ICAC publication "Cotton This Month", ICAC was reporting on the real time effects on cotton production and consumption.

7. He moved on to an overview of previous crises affecting the cotton sector. Over the past two decades, world cotton mill use had suffered through three negative shocks: the 2008/09 financial crisis, the record high prices and extreme volatility between 2010-2012, and the coronavirus disease (COVID-19) pandemic. During the financial crisis, cotton consumption decreased by 11%, as world cotton demand plummeted from 26.7 million tonnes in 2007/08 to 23.7 million tonnes in 2008/09; although cotton consumption recovered the following season to 25.3 million tonnes, it was again impacted by high volatility and record-high prices in 2010/11 and 2011-2012. Cotton demand was negatively affected, and mill use plunged to 22.4 million tonnes in 2011/12 – the lowest level since 2003/04. Nevertheless, cotton consumption slowly recovered until it reached 26.35 million tonnes in 2017/18 – the third-highest level in almost 60 years.

8. The total impact of the pandemic on the cotton demand, he highlighted, would depend on how long this health crisis lasts, the containment measures taken to prevent the spread of the disease, and on consumers' behaviour and spending patterns. The trend in cotton prices would be determined by fundamental market conditions, which in turn would depend on how rapid and intense the recovery of consumer demand would be.

9. The textile and apparel (T&A) trade market, he added, was dominated by few countries. The European Union (EU-27), the United States, and Japan remained the top three largest importers of T&A products by value, accounting for around 57% of the world's total T&A imports in 2019. While China, the EU-27, Viet Nam, Bangladesh, and India remained the top five largest exporters of T&A products by value, accounting for 72% of the world total in 2019. The abrupt cessation of economic activity – which involved the closure of many stores and shopping malls, an increase in the number of people being laid off on furlough, rising unemployment rate, and the resulting lower demand for apparel consumption in major markets, such as the United States, EU and Japan – made the COVID-19 crisis unprecedented.

10. In the United States, he reported, the value of T&A imports contracted for a fifth consecutive month in 2020. T&A imports decreased by 26% in the first five months of 2020 compared with a year before. According to the Office of T&A (OTEXA), the value of T&A imports from China dropped by 44% between January and May 2020, compared to the same period in 2019. Other Asian countries have also been negatively affected. The value of their T&A exports to the United States in the first five months of 2020 decreased by 9.4% in Viet Nam, 23% in India, 13% in Bangladesh and 14% in Indonesia, compared with a year before.

11. According to ICAC, the EU T&A sector had also been massively affected by the COVID-19 outbreak. In March 2020, the COVID-19 containment measures widely introduced by EU member States had a significant impact on the T&A sector. The latest available data from EURATEX suggested a strong decline in all the structural business indicators. The volume of retail sales for textiles and apparel decreased by 31% in the first quarter of 2020, compared to the same period of the previous year. The EU-27's value of imports of T&A have experienced a 13% decline in the first four months of 2020, compared to the same period in 2019. Amongst EU member States for which data was available, the largest annual decreases in total imports value were registered in the Netherlands (-USD 1.8 billion), followed by Italy (-USD 1.6 billion), France (-USD 1.4 billion), Belgium (-USD 920 million), and Spain (-USD 910 million).

12. In the first four months of 2020, the value of T&A imports from Southeast Asian countries, Bangladesh, India and Turkey declined significantly, compared to the same period in 2019. Imports from China increased by 18% over the same period. However, he noted, in the case of Japan the scenario was very different. Japan was the third-largest T&A importer in the world. According to ICAC data, the country increased its T&A imports in the first five months of 2020. The total value of T&A imports increased by 3.7%, compared to the same period in 2019. Imports from China and Viet Nam increased by 14% and 4%, respectively. While imports from Bangladesh, Indonesia and Cambodia decreased by 12%, 11% and 3.3%, respectively. He concluded this part of the presentation by reporting that China's market share had decreased from an average of 45% in the first five months of 2019 to 39% in 2020.

13. He also stated that the T&A industry had been an important pillar of China's economy with the export value of the T&A sector increasing by 5.2 times during the previous 19 years. In 2019, T&A exports accounted for 10% of China's total exports and 32% of the world's total exports in T&A products, he noted. In the first five months of 2020, the value of T&A exports fell by 2% to just over USD 94 billion, compared to the same period in 2019. T&A imports decreased by 16% to USD 11.9 billion. The same trend was observed in China's total exports, which decreased by 7.7% from a year before, while imports decreased by 8.2%. He further noted that, between January and May 2020, China's import value of other made-up textile articles (HS code 63), which included surgical masks and disposable face masks made of non-woven textiles, increased to USD 1.01 billion, a growth of 475% YoY.

14. In Viet Nam, he noted, provisional data from customs showed that the domestic T&A sector faced an export value reduction in 2020, due to difficulties in production derived from the COVID-19 pandemic. In the first semester of 2020, the country's T&A exports dropped to USD 13.1 billion, a 12% decline compared to the same period in 2019. According to the local T&A association (VITAS), he added, many export garment companies were operating at reduced capacity due to the lack of new orders from importing markets.

15. In Bangladesh, he reported that in 2019 ready-made garment (RMG) exports provided 84% of the country's foreign exchange earnings. Bangladesh's traditional markets for garment exports were Europe and the United States, while non-traditional markets included Australia; Brazil; Chile; China; India; Japan; Korea, Republic of; Mexico; Russian Federation; South Africa, and Turkey. The latest report from the Export Promotion Bureau showed that the country's RMG exports fell by 30% in the first six months of 2020, compared to the same period in 2019. The value of T&A exports fell from USD 17 billion in 2019 to nearly USD 12 billion in 2020. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the steep decline was due to a slow demand in major destination markets and the temporary factory closures implemented in the country for nearly a month to curb or to stop the spread of the coronavirus. He further reported that, at the time of the meeting, factories in Bangladesh were running at only 55% capacity and it had affected a total of 2.28 million workers in the apparel industry. These workers were some of the poorest people in the world, so being put on furlough or reduced hours or even being laid off whilst the mill was shut down was creating the possibility of a humanitarian disaster.

16. To conclude this part of the presentation, the representative of ICAC commented that COVID-19's impacts on the T&A industry were apparent. The pandemic had forced many fashion and retail stores to close in many countries. The fall in sales for retailers had been unprecedented and traditional business models were undoubtedly suffering the worst consequences. Despite the surge in online shopping, e-commerce still made up a relatively small percentage of total retail spending, and consumers were prioritizing their spending on necessities and essential goods rather than discretionary and non-essential goods such as apparel or home textiles. As a consequence, several well-known brands had filed for bankruptcy as a result of the pandemic (the brands logos were reportedly on the slide).

17. He then moved on to the last part of the presentation, analyzing aggregate impacts on upstream value chain operators, such as small-scale farmers, with special emphasis on the situation of African cotton farmers and processors.

18. He explained that most of the cotton from Africa was exported to Asia, particularly to countries like Bangladesh, China, Viet Nam, Thailand and many more. Because businesses were affected by COVID-19 in Asia, it also affected the export of cotton from Africa. This further led to reduced exports/sales of cotton from Africa, unanticipated costs incurred on not-yet-sold cotton stocks and increased input costs (due to poor exchange rates the cost of pesticides and herbicides had increased); this latter factor had also increased the cost of cultivation for cotton plants already sown.

19. However, the industries in the cotton value chain were trying to recover from the COVID-19 shock. While on the industry level brands were shifting to online portals and experiencing a slow increase in sales, many big brands had also committed to pay in full for the orders completed and in production. The manufacturing industry was also showing signs of recovery: with the easing of lockdown measures, and garment workers returning to work. In Bangladesh, BGMEA was expecting to increase their working capacity to 75% by the year end from 55% (in June 2020). They had also received a soft loan from the government. In Viet Nam, where 80% of FDI in 2019 went to the textile and garment industry, FDI shifted towards manufacturing fabrics and other raw materials. In

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February 2020, the country received a further USD 500 million to expand on yarn and fabric. The government was also supporting Viet Nam's textile sector with the construction of dedicated textile industrial parks.

20. At farm level, he maintained, countries like South Africa were considering COVID-19 an opportunity to expand their local cotton industry. So the big question was whether there would be a second spike resulting in further lockdowns which may halt any recovery, and even reverse it.

21. He dedicated his concluding thoughts to cotton prices: the A-index – the international reference price of cotton – had fallen steeply due to COVID-19 but had already been under pressure from the tense trade environment beginning in 2018. Following a season high in January 2020, international cotton prices fell through February and March of the same year. The 2019/20 Cotlook A-index reached a season low in April. The season average of USD 71.4 cents/pound represented the third consecutive season of declining cotton prices. The long-term average was USD 73.7 cents/pound.

22. He further noted that cotton prices would remain under pressure due to higher ending stocks in the season 2019-2020 and following season, and a weaker textile fibre demand from brands and retailers. He believed that the demand for apparel could take many months to normalize. Also to be considered was the interplay between prices for cotton or polyester, which could influence the decisions taken by brands and retailers.

23. He finally suggested that there was a need to monitor how the cotton crop would develop in the northern hemisphere, which would bring more clarity to the cotton market and especially in the major cotton-producing countries of India, China, the United States, Brazil and Pakistan. In addition, a close look needed to be kept on trade disputes between major players and of course the big driver for a recovery: a vaccine, which would start to get economies moving again with confidence.

24. The Chairperson thanked Mr Hughes for his presentation. He then moved on to the second joint-presentation of the day by Dr Heike Ostermann, Advisor, Programme for Sustainable Agricultural Supply Chains and Standards (GIZ) and Ms Belinda Edmonds, Managing Director, African Cotton Foundation (ACF).

25. Dr Heike Ostermann, Advisor, GIZ, made a presentation<sup>3</sup> on sector projects and programmes administered or implemented by GIZ that contributed to a sustainable response to the COVID-19 crisis.

26. She highlighted the programmes that supported resilience for sustainable smallholder cotton production, in close cooperation with the private sector, as key to the response to the COVID-19 crisis. GIZ programme components focused mainly on the producing countries, but also to the retail side of the value chain to encourage purchases of sustainable cotton.

27. The programme component sustainable cotton implied advising the ministry on data collection, in cooperation with the Bremen Cotton Exchange, as well as technical advice on policy formulation. A second operational pillar comprised a multi-stakeholder platform focusing on political and technical dialogue for sustainable cotton. A third pillar comprised direct support to cotton farmers in Africa, whereby 200,000 smallholders had been trained on sustainable agricultural practices including the improvement of seed quality. In addition, the GIZ Global Programme focused on various interventions, from support for sustainable input availability, to promotion of digital trainings and digital extension services. Finally, a textile partnership had been set up by the Federal Ministry of Cooperation and Development to undertake actions at the retailers' level.

28. She concluded her part of the presentation by formulating two questions for the Roundtable speakers of the day: whether the COVID-19 crisis could constitute an opportunity to enhance purchases of sustainable cotton, and whether cotton could play a significant role to improve smallholders' livelihoods.<sup>4</sup>

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<sup>3</sup> Available at [https://www.wto.org/english/tratop\\_e/agric\\_e/info\\_sess\\_cott\\_30jul20\\_e/giz\\_e.pdf](https://www.wto.org/english/tratop_e/agric_e/info_sess_cott_30jul20_e/giz_e.pdf).

<sup>4</sup> These questions have been addressed by the Roundtable speakers, see from para. 45.

29. Ms Belinda Edmonds, Managing Director, ACF, presented<sup>5</sup> the impacts of COVID-19 on African farmers. She first noted that 5% of the total number of cases had been recorded in Africa as of July 2020, with a remarkably low death rate compared with the rest of the globe. However, she warned that African countries were still under the risk of a great expansion of the virus which could result in an unprecedented humanitarian crisis.

30. She further stressed the food security implications following the various impacts of the crisis on farmers and their commercial operations, as described by ICAC at the global level. She noted, in particular, that disruption of smallholder agricultural production and market access would have significant food security implications. Agricultural processes and key seasonal activities could be disrupted by increased infection rates; in addition, low international cotton prices and weak and uncertain future demand could lead to farming households receiving less income than expected, thus being forced to sell critical food crops to survive in the short term.

31. Nonetheless, she suggested that there were various strategies to support recovery and reshape a new normal. Collaboration and innovation were key tools to ensure the most effective and efficient deployment of limited global resources. Implementation of regional trade agreements, as well as optimization of international trade preferences were also important components of a recovery strategy.

32. Multi-stakeholder interventions, engaging governments, the development community, NGO's and the private sector would improve programme effectiveness through reduced duplication, leveraging of existing resources and infrastructure, thus also ensuring increased efficiencies. Investments in sustainable and transparent value chains, especially on enhanced value addition, and increased crop diversity could also increase farmer resilience, and ensure better access to markets, financial tools (such as crop insurance, micro loans) and loans for collaborative mechanization opportunities.

33. She highlighted that innovation would play a fundamental role in this process. Digital technology developments including digital communications and data driven services (e.g. e-deliver of extension and training services) could improve farm economic decision making. In addition, geospatial and remote sensing technologies for mapping agro-ecological zones, natural features and terrain including canopy cover, water bodies, etc. could enhance delivery of critical supplies. The type of support needed to realize these opportunities would have to focus on in-country infrastructure (increase coverage, reduce handset and service costs), appropriate data delivery (consider literacy rates, language, data relevance etc.).

34. Focusing on the role of the private sector, she maintained that private sector agri-processing companies, including cotton companies, had the infrastructure to access and deliver services, and provide markets to large numbers of smallholder farmers in several African countries. To achieve these goals in practice, training (up-skill and multi-skill) and equipment for national and private sector extension personnel would be needed.

35. She concluded by recalling that the focus should also remain on critical pre and post pandemic issues, such as poverty alleviation, climate change, and respect for human rights. While facing the health threats of COVID-19, across Africa farmer livelihoods were being further threatened by drought, floods, locust plagues and opportunistic expansion of fundamentalist groups. She made a call for joint work to create a modern, thriving African cotton sector where farmers are profitable, communities are empowered, human rights respected and the environment conserved.

36. The Chairperson thanked Dr Heike Ostermann and Ms Belinda Edmonds for their joint presentation and opened the floor for comments on this and the previous presentation by ICAC.

37. The representative of Burkina Faso, on behalf of the C4, requested that the Group's declaration be included in the report of the meeting (see Annex 2 of this report).

38. The Chairperson asked the representative of ICAC about how cotton producers could prepare and adapt to the new market scenario caused by the economic effects of the pandemic *vis-à-vis* the competition between synthetic and natural fibres.

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<sup>5</sup> Available at [https://www.wto.org/english/tratop\\_e/agric\\_e/info\\_sess\\_cott\\_30jul20\\_e/acf\\_e.pdf](https://www.wto.org/english/tratop_e/agric_e/info_sess_cott_30jul20_e/acf_e.pdf).

39. The representative of ICAC responded that one of the recovery strategies should be capturing market shares from those owned by synthetic fibres. He noted the negative consumer perceptions existing around synthetic fibres, e.g. micro-fibres, which constituted an opportunity for cotton advocates to highlight all the positive factors about using cotton, including e.g. zero waste from cotton farming and transformation, thanks to the use of cotton by-products.

40. The Chairperson posed a question to the representatives of GIZ and ACF asking, from the viewpoint of cotton development assistance partners, what could make the new situation resulting from the COVID-19 crisis different from situations arising from past shocks, thus possibly creating new opportunities for the cotton sector in Africa.

41. The representative of ACF replied by highlighting the opportunity of diversification of products in the African continent and by noting that the preferential market access opportunities enjoyed by the African continent in various markets overseas, thanks to preferential arrangements, should be more fully explored and exploited. The representative of GIZ mentioned training and innovation using digital tools as examples of methodologies easily applicable in the type of situation generated by the COVID-19 crisis. She added that the special situation arising from the crisis allowed for a better benchmark analysis of the pre-crisis situation of the cotton sector, as well as a longer-term reflection on response strategies.

42. The cotton focal point from Burkina Faso took the floor to highlight that the COVID-19 effects had first highlighted the interdependencies of international cotton value chain knots. This was a lesson to be remembered when talking about resilience. He brought up the example of using local cotton fibres to produce face masks certified by the local metrology authority, implemented in Burkina Faso. He noted that these types of endogenous solutions should be encouraged as successful options at a time of difficulty in international commercial transactions. The fibres remained in the country due to the blocking of transport hubs and the freezing of international contracts, encouraging local actors to make use of the unsold fibres, thus finding creative solutions and enhancing resilience. He mentioned joint work with GIZ to develop the local cotton value chain, due to start in January 2021, including child work prevention controls and other fundamental aspects to be corrected in cotton production and processing. He concluded by posing a question to the representative of ICAC about expectations on international price fluctuations in the short- and mid-term.

43. The representative of ICAC replied that cotton prices were not expected to rise significantly. Ending stocks were increasing and prices would not increase until demand levels would start rising again and stocks would reduce; until then, cotton prices would remain suppressed until a vaccine would be found and become operational.

44. The representatives of Chad and Burkina Faso posed additional questions for the speakers of the day. These questions and relevant written responses are reported in Annex 3 of this report.

45. The Chairperson then introduced the roundtable discussion which aimed at having an interactive exchange with the speakers based on facts specifically pertaining to the regional, sub-regional and national context in Africa. The speakers would share their experience on the specific issues faced by Eastern and Southern African countries, and relevant response strategies (Mr Marco Mtunga), the situation in West Africa (Professor Idrissa Ouedraogo) as well as insights from the private sector perspective, with a special focus on issues faced by cotton value chain operators in West Africa (Mr Charles Jannet), with the ultimate purpose of gaining an overall better understanding of the situation in terms of international price fluctuations and relevant expectations for 2020 and 2021.

46. Mr Marco Mtunga, President, African Cotton Association (ACA), introduced his intervention by noting that the incidence of international debt exacerbated the gravity of the situation for various African countries. With reduced revenues and currency fluctuations, farmers e.g. in Tanzania where suffering from serious losses in terms of revenues, with actual prices paid to farmers declining by 32% in the 2019/2020 season, when compared to the previous season. He noted that these factors have affected the way farmers and economic operators perceive cotton, so production for the subsequent season was expected to decrease by 20% to 30%.

47. He noted the low demand and selling of cotton in the 2019/2020 season, which was already in its marketing phase in the southern hemisphere. Therefore, the Eastern and Southern African countries producing cotton, such as Tanzania, Uganda, Zambia and Zimbabwe, were underselling

their stocks given the depressive effects of COVID-19 on international prices. This, he argued, would definitely have effects on planting decisions for the next season, with cotton being replaced with food crops.

48. In terms of response from the governments in Africa, he put the focus on the issue of low yields. He noted that raising productivity at that point in time was really vital for cotton production in Africa, particularly in the face of reduced planted area forecasts. Cotton remained of vital importance for several economies in Africa, he underlined, thus cotton should be saved and preserved. He invited, on behalf of the ACA, the ICAC, and the international community in general to work together towards the objective of increasing the cotton yield in Africa.

49. The Chairperson thanked Mr Mtunga for his contribution to the discussion and called upon the next speaker, Mr Charles Jannet, to make a presentation.

50. Mr Charles Henri Jannet, Head of Cotton Trade, Ecom Agroindustrial Corp. Ltd., and Vice-President of the French cotton association (Afcot), introduced his intervention by presenting the business profile of Ecom Ltd., a Spanish family-company based in Switzerland, among the leaders in coffee and cocoa trading and processing, as well as a historical actor of the cotton industry, with spinning activities as of 1849 and ginning facilities in Brazil, Paraguay and Tajikistan. The company also presented a very strong footprint in sustainable practices, with many on-going and completed projects with development banks.

51. He moved on to a discussion of the COVID-19 impacts on world cotton consumption, which affected all markets. He noted that the short-term impact in African countries mostly affected the export offtake level and relevant logistics. With bottlenecks at destination, he added, logistics were severely under pressure also at the origin, with goods that could not be exported. He also underlined the high dependency of African cotton from demand in very concentrated destination markets. In such context of supply larger than demand, each origin needed to fight for market shares.

52. He further discussed two additional drivers of major impacts: price support mechanisms and trade war dynamics. Price support mechanism and state reserve building created price distortions, with positive and negative impacts across time, as supply was taken out of the market but released thereafter. Demand for African cotton was affected by the release of cotton reserves by larger world producers, further choking an already weak demand. This specific situation could create a time lag with the economic recovery scenarios.

53. Regarding prices, he noted that at the International Exchange (ICE) level prices had not fallen as much as expected, mostly because such prices reflected predominantly the situation in the US. With the pre-COVID-19 engagements and the phase one agreement with China, sales of US cotton had maintained a certain stability, also with positive perspectives for the next season. This could engender a mismatch between prices in real markets, as reflected in the Cotlook A-index, and prices at the ICE level.

54. In his concluding remarks, he stated that COVID-19 would have had an impact throughout the whole of the 2020/2021 season, in particular due to weak demand and potential lower prices. He maintained that sustainability remains key to reduce the negative effects of such impacts, in particular by respecting the "sanctity of contracts" and ensuring business continuity throughout the supply chain, thus mitigating disruptions in the long term.

55. The Chairperson thanked Mr Jannet for his intervention and gave the floor to the last speaker of the day, Professor Ouedraogo.

56. Professeur Idrissa Ouedraogo, Président du Centre de Formation, d'Orientation et de Recherche pour la Gouvernance Économique en Afrique (FORGE-Afrique) focused his presentation on the situation in West Africa. He first recalled the leading role of West Africa in cotton production in the African continent, with Benin and Mali being the largest producers and exporters, as well as the importance of cotton to create revenues and ensure livelihoods in those countries.

57. He noted that cotton had been heavily impacted by the effects of COVID-19, and West Africa made no exception. With the drastic decrease in consumption, only less than half of cotton production could be sold in the season 2019/2020, as of the month of June 2020. This also entailed the decision of local governments to reduce the guaranteed price paid to producers, on average by

10% in the sub-region. This would have major effects at the micro-economic level, directly hitting the livelihoods of millions of people depending on cotton production.

58. He analysed the forecasts for the subsequent season 2020/2021 and noted that, in certain countries of the sub-region, the textile sector could be revitalized by the effects of the pandemic. Local cotton companies and governments also remained optimistic as to production levels for the season 2020/2021.

59. In his concluding remarks, he further stressed that the effects of the pandemic had taught a lesson as to the high dependency of the economies of West Africa from cotton exports and export earnings. This has prompted a reflection on certain development models that appeared to be disconnected from the reality of the sub-region and its real development needs and objectives.

60. The Chairperson concluded the session, in the interest of time, by inviting participants who still had questions to send them in writing to the Secretariat. He indicated that all the questions and subsequent replies would be annexed to the report of the Information Session (see Annex 3).

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**ANNEX 1****INFORMATION SESSION ON COVID-19 AND  
COTTON "FROM FACTS TO SOLUTIONS"**

## PROGRAMME

30 July 2020 - 16:00-18:00

(following the Dedicated Discussion on Cotton)

Programme	
16:00 – 16:05	Introductory remarks by DDG Wolff
16:05 – 16:30	Cotton Market - Global data and perspectives <ul style="list-style-type: none"> <li>• Presentation by Mr Kai Hughes, Executive Director, International Cotton Advisory Committee (ICAC)</li> <li>• Questions &amp; Answers</li> </ul>
16:30 – 17:00	COVID-19 – short term remedies and the importance of building resilience for a sustainable future <ul style="list-style-type: none"> <li>• Introduction by Dr. Heike Ostermann, Advisor, Programme for Sustainable Agricultural Supply Chains and Standards (GIZ)</li> <li>• Presentation by Ms Belinda Edmonds, Managing Director, African Cotton Foundation (ACF)</li> <li>• Questions &amp; Answers</li> </ul>
17:00 – 17:55	Roundtable Discussion: Impact on international trading and cotton value chains in East and West Africa and possible response strategies <ol style="list-style-type: none"> <li>1. Moderator: DDG Wolff</li> <li>2. West Africa: Professeur Idrissa OUEDRAOGO, Président du Centre de Formation, d'Orientation et de Recherche pour la Gouvernance Économique en Afrique (FORGE-Afrique)</li> <li>3. Eastern and Southern Africa: Mr Marco Mtunga, President, African Cotton Association (ACA)</li> <li>4. Private Sector: Mr. Charles Henri Jannet, Head of Cotton Trade, Ecom Agroindustrial Corp. Ltd.; Vice-President of Afcot</li> <li>5. Open discussion</li> </ol>
17:55 – 18:00	Concluding remarks by DDG Wolff

**ANNEX 2****C4 STATEMENT<sup>1</sup>**

I am delivering this statement on behalf of the Group of Co-Sponsors of the Sectoral Initiative in Favour of Cotton (C4) and all 36 African countries that produce and/or export cotton and its by-products.

The COVID-19 pandemic emerged at a time when the outlook was promising for many African countries. According to the United Nations Department of Economic and Social Affairs, Africa was well placed to continue along a path of economic development, with growth forecast to accelerate from 2.9% in 2019 to 3.2% in 2020 and 3.5% in 2021. Significant progress had been made in reducing poverty and improving health indicators. Technology and innovation were gaining ground on the continent, and African youth in particular were tapping in to the new opportunities made possible by mobile payments.

The cotton sector has been hit hard by the COVID-19 pandemic, with the C4 countries experiencing major financial losses due to the economic slowdown, as well as lower wages and higher unemployment.

Furthermore, the closure of borders, the slowdown in textile industries, and the closure of clothing businesses in many countries as a result of lockdown measures have created new challenges for the cotton sector, in addition to those related to the impacts of trade-distorting supports.

Contrary to the figures given in the WTO Secretariat's Concept Note on the impact of COVID-19, more than 20 million smallholder cotton farmers in Africa are already believed to be suffering from the international trade policy measures that have been implemented. This crisis is felt all the more by the C4 countries, given their status as least developed countries. In this regard, the current figures for the cotton sector are telling. In the C4 countries, around 70% of the lint produced in 2020 is stuck in mills, in transit or in ports, where the quality of the cotton is deteriorating due to exposure to the sun and to extreme weather conditions.

In response to this unprecedented health crisis, several countries and institutions, including the WTO and its Members, have introduced exceptional measures. While some of these measures help to effectively combat the spread of the pandemic and save human lives, it should also be noted that others create barriers to cross-border trade in essential medical and food products.

In light of these difficulties, the C4 countries call on WTO Members to lift all trade-restrictive measures in order to facilitate the supply of essential medical and food products and exports of agricultural commodities, especially cotton, which remains a main source of income and employment for several least developed countries. Cotton accounts for 8% to 12% of these countries' GDPs, and cotton trade generates up to 40% of their export revenues, hence the scale of the challenge they face.

The C4 countries would therefore like to invite all partners to help develop and implement appropriate and robust solutions to enable the cotton sector to deal with COVID-19.

Finally, I would like to wish you a very successful session on cotton and COVID-19.

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<sup>1</sup> Original in French.

### ANNEX 3

#### COMPILATION OF QUESTIONS AND ANSWERS – INFORMATION SESSION ON COTTON AND COVID-19

Questions and replies	Addressed to:
<p><b>1. It is clear that cotton is among the raw materials that have been heavily impacted by the COVID 19 pandemic. Losses are in the billions of dollars and the way forward, in the short term, seems uncertain. In times of crisis, consumers do not spend as much on their wardrobe as they do on sustenance. In this context, are we going to see a rebound in consumption with regard to cotton and its by-products? Given, for example, that disposable synthetic masks are favoured at the expense of their cotton equivalents, could the speakers give us estimates of a possible return to normal levels of cotton consumption? And if the crisis persists, won't cotton simply be abandoned for other products? Furthermore, with regard to e commerce, have online sales increased during lockdown? And can this compensate for lost purchases on the traditional market, when obviously the C4 do not have the necessary tools to better position themselves in the e commerce sector?</b></p> <p><b>Kay Hugues:</b> Even as the most stringent containment measures begin to be lifted, the opportunity for economic recovery may not ease the current market uncertainty. Countries vary in their ability to flatten the contagion curve and the fiscal space to mitigate the pandemic-associated recession. However, the limited recovery in consumption growth currently projected remains an early estimate that may still be conditional on economic recovery as countries attempt to contain the pandemic. Even if economic recovery materialises, global production is currently projected to outpace consumption for the second continuous season, causing global stocks to increase and putting pressure on international cotton prices. How countries continue to prevent and control the health crisis will be important to how and when economies recover. As economies and per capita income rebound, demand for T&amp;A should return and thus demand for cotton lint.</p> <p>E-commerce sales: Based on the examples of three developed markets (US, UK and Japan), it was seen that online sales did spike since the outbreak of the COVID-19 pandemic. However, these figures are still just a small portion of total retail sales. Furthermore, it is important to note that these retail e-commerce sales are with respect to the domestic markets and are at retailer/brand level. As African cotton-producing nations (including C4) primarily deal in the export of raw cotton, they are unlikely to get affected by the bricks and mortar to e-commerce retail market transition of the consuming markets. Another point to note is that the spike in online sales occurred when the countries were under severe lockdown measures. With the lifting of these measures and opening of markets, the scenario might change again.</p> <p>Statistics: In the US, e-commerce sales as a percentage of total retail sales have jumped from 11.8% to 16.1% between Q1 and Q2 2020 and is at its highest level (USD 211 billion) since 2000. Japan had also witnessed a sharp increase in the non-store retail sales in total retail sales in 2020 (average of 5.3% in 2019 to 8.1% in the month of July 2020). UK markets had also shown a substantial increase in internet sales as a part of total retail sales in 2020 (peaked in May and has fallen by 4% between May-July 2020).</p> <p>Regarding cotton face masks, it was a failure of all of us not to promote the health benefits of using cotton face masks. The ICAC conducted research on cotton vs. synthetic masks and we made this freely available and we advertised it on social media and yet no one picked up on this and presented our recommendations. Will cotton be abandoned if the health crisis persists? I don't think so but it is up to all of us to start promoting all the positives around cotton as the world's most important fibre starting with World Cotton Day on 7 October.</p> <p>The ICAC has recently established a public sector promotions committee to consider initiatives that promote cotton and increase demand for cotton. We have promoted the use of cotton by-products and shortly we will be releasing our report, "Waste to Wealth", which looks at ways to use cotton waste both from ginning and spinning and to create industries around this product. Most cotton waste is discarded but it has a value.</p> <p>When will we return to normal levels of cotton consumption? The driver for this is the vaccine but I would like to think that we can use COVID-19 as an opportunity to rethink many aspects of the cotton supply chain and use it to improve and strengthen the industry moving forward. This combined with better cotton promotion, innovation in the ways we use cotton and an emphasis on sustainability will ensure that there will always be a need for cotton and hopefully an increasing need. Synthetic fibres can never compete with cotton on sustainability and of course they are not natural products.</p>	<p><b>All Speakers</b></p>

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<p><b>Charles Jannet:</b> Outlooks and scenarios for economic recovery are difficult to assess and vary from one country to another. According to our feedback from consumer countries, spinning mills use on average about 70 80% of their production means. Under such conditions, a return to normal and a pre COVID 19 level of consumption would not be achieved until the end of 2021 or 2022.</p> <p>Cotton has been structurally losing market share to synthetics for several decades. However, this downwards trend is flattening out, and it would be impossible to imagine a textile world without cotton. The production of masks made of polyester or other synthetics has a slight impact on this trend. While online clothing sales have increased in line with the entire online industry, they do not offset the decrease in overall consumption.</p>	
<p><b>2. Statistics show that intra African trade and local processing of cotton are very limited. In Africa, consumption of cotton lint for processing is less than 5% of production on average. This means that more than 95% of this production is exported outside Africa. This situation is likely to worsen in the context of COVID 19. According to communications from consultants, measures taken to contain the effects of the COVID 19 pandemic include solutions linked to the use of artificial intelligence, full purchase of crops, trade measures and the use of trade preferences. In addition to these positive measures, at the next session of Cotton Days, could the International Cotton Advisory Committee present the findings of a prospective study on the opportunities offered by the new African Continental Free Trade Area to boost intra-regional trade in "made in Africa" cotton/textiles/clothing, bearing in mind that industrial level consumption is growing in several African countries?</b></p> <p><b>Kay Hugues :</b> We will definitely make it a priority to conduct a study and produce the results at the WTO Cotton Days. If we can, we will do it for November but more realistically it would be in 2021 as there is a lot of work involved in gathering this data.</p>	<p><b>Kay Hughes (ICAC)</b></p>
<p><b>3. To what extent, in your view, the COVID-19 related issues may represent an opportunity to address problems in the cotton sector that pre-existed this crisis?</b></p> <p><b>Kay Hugues:</b> As tragic as it has been, we have little choice but to view the COVID-19 crisis as an opportunity to address all the problems that either pre-existed or occurred because of the pandemic – and most of all, to re-invent the cotton supply chain to make it fit for the future. The ICAC will be holding a series of online conferences to address these challenges and more importantly, to present solutions to them. The first of these 2-3 hour online conferences will be held at the end of November and will address the issues surrounding contract sanctity, including cancellation of contracts and late payments, as well as ways to ensure smaller businesses have access to the capital and finance during a crisis.</p> <p>Other topics we will address include labelling of finished cotton goods. One idea is to give a sustainability rating and country/ies of origin. This may, for example, require taking a new look at sustainability indicators that can be applied throughout the whole supply chain, with one set of agreed-upon, core global indicators that can be benchmarked.</p> <p>Another topic is gender inequality in the cotton sector. In the current pandemic, the economic fallout is having a regressive effect on gender equality. Women constitute 39% of global employment but represent 54% of job losses. In developing countries, women who are involved in the cotton sector are primarily providing manual services (like hand picking cotton at farm level, or spinning and weaving in textile factories), while more mechanised, technology-led approaches are undertaken by men. Considering the regressive impacts of the pandemic, it is likely that the pandemic had made the situation for women in cotton worse. The session will focus on steps we can take not only to alleviate the current suffering, but also to protect this vulnerable population when the next crisis strikes.</p> <p><b>Dr Heike Ostermann – Belinda Edmonds:</b> The pandemic increases the pressure on African cotton producers and pushes the need for a competitive cotton production. As cotton will stay one of the most important income generating crops for rural households and an important source of foreign currency, the cotton sector should be strengthened towards more resilience and sustainability in the future. Price volatility could be mitigated to some extent through price stabilisation mechanisms and possibly the availability of secure storage capacity.</p>	<p><b>All Speakers</b></p>

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<p>The pandemic has focused attention around the world on our environment and as we emerge from this crisis, key pre-existing systemic issues such as climate, poor quality inputs, degraded soils and access to, and wise management of, water sources will be key priorities.</p> <p><b>Marco Mtunga:</b> African cotton-producing countries export most of their cotton in lint form. This makes Africa more dependent on markets outside the continent. Entry of COVID-19 into our lives made it difficult for cotton to fetch a good price as the world economy has been greatly affected. The imperative to add value and trade among Africans brings a lot of sense.</p> <p>Cotton yields in Africa are extremely low. For cotton to be sustainable and attract the youth, raising yields will make cotton profitable. Improving quality will go a long way to allow the farmer to earn more. Addressing low yields and quality will make the farmer earn more, regardless of the price in the international market.</p>	
<p><b>4. Because of the pandemic, many are advocating in favour of more sustainable products and environment-friendly lifestyle and habits. How can cotton producers address these shifts in consumers' preferences and who should take the lead in promoting sustainable cotton production and sustainable transformation?</b></p> <p><b>Kay Hugues:</b> Cotton ecosystems are rich in natural biodiversity of insects which include pests and beneficial insects that prey upon the insect pests. It is extremely important that producers are made aware of the power of biological control of pests that exists in their fields and all eco-friendly strategies and selective insecticide technologies that help them to control insect pests and diseases without damaging the economy or devastating the existing natural biological control of insect pests. Over the past 20 years the science of biological control and the science of selective insecticides has advanced tremendously. The ICAC has shortlisted such technologies, which are easy to use and if implemented can go a long way toward establishing sustainable cotton production and sustainable transformation in an eco-friendly manner. International organisations, in collaboration with national governments and local non-government organisations, can focus on innovative digital tools such as interactive diagnostic-training mobile apps and virtual reality programmes for training and technology-transfer for smallholder farmers, as well as developing other innovative digital tools. The ICAC is already bringing together organisations under its Private Sector Advisory Panel (PSAP) to promote cotton. This year's World Cotton Day, for example, is being led and driven by a special PSAP Cotton Promotion Committee. Sustainability is an integral part of that promotion. Currently the ICAC has proposed to its member governments the formation of an Advisory Council which will bring all the major national, regional and international private sector organisations together under one umbrella as part of the ICAC, thus moving from engaging with a few key people to engaging with organisations worldwide and strengthening the link between the private sector and government. This Advisory Council, which will be run under the auspices of the ICAC, will be responsible for initiatives on promotion.</p> <p><b>Dr Heike Ostermann – Belinda Edmonds:</b> Sustainable transformation can only be achieved through public/private collaboration. Private sector and standards/certification bodies should lead but in close association with Governments. Governments should provide the appropriate infrastructure, including training facilities, transport and storage capacity, while also ensuring and encouraging investment in in-country and/or in-region added-value processing. Regional integration is extremely important in developing sustainable value chains. Sustainability standards/certification bodies play a key role creating increased consumer awareness and demand for sustainably produced cotton. Cotton producers (farmers) should organize themselves in farmers groups or cooperatives that embrace/respect sustainability criteria and which will improve their access to high quality inputs, training and to facilitate marketing.</p> <p><b>Marco Mtunga:</b> Farming is a business, responding to market demands is critical to its survival. Sustainable cotton presents an opportunity to all African cotton-producing countries. Public and private sector should work together to increase production of sustainable cotton to adequately meet the market requirements.</p> <p><b>Charles Jannet:</b> Industries based on sustainability are more resistant to crises than traditional industries. It is essential to maintain and increase the efforts being made in the cotton industries. There will be competition between certified and non-certified cotton lint. This also applies to the competition between natural fibres and synthetic fibres, which are also seeking a clean image with production under strict environmental standards.</p>	All Speakers

Questions and replies	Addressed to:
<p><b>5. Which role can cotton play to increase smallholders' livelihoods resilience?</b></p> <p><b>Kay Hugues:</b> As an inherently drought-tolerant crop, cotton is one of the most preferred options for low-risk agriculture in rainfed farming systems across the globe. It is one of the few crops that has strong yield compensatory capabilities in the wake of adversity even with minimal use of technologies. Smallholders have always considered cotton to be "white gold" because it provides them with cash for a better livelihood. Cotton has immense potential to lend resilience to low-risk farming systems and can become more robust with the implementation of simple natural-resource use strategies to enhance soil health, generate sustainable high cotton yields and profitability with optimised input usage, ensure soil moisture conservation and enhance nutrient-use-efficiency.</p> <p><b>Dr Heike Ostermann – Belinda Edmonds:</b> Extension services (Governmental and Private Sector) play a key role connecting farmers with markets and in providing cotton-focused trainings – these services should be diversified so that the "whole farm" including all other crops benefit from improved agronomy, inputs and access to markets. Improve and expand access to Financial mechanisms, particularly crop insurance (currently accessed in some cases for cotton, should be extended to all crops). Diversification of crops is critical for both farmer resilience and sustainability ambitions. Food security efforts must be maintained/enhanced, but additional multilateral support and focus on "cash" crops and alternative income-generating activities for farmers is urgent and essential – we cannot reduce farmer poverty or build resilience without increasing farmers' incomes.</p> <p><b>Marco Mtunga:</b> Cotton being a drought resistant crop serves as a cash as well as food crop. Despite climate change effects, cotton has proven to give the farmer an income even under severe weather conditions. While other crops fail, cotton will be there to support the farmers in terms of food and other expenses.</p>	<p><b>All speakers</b></p>
<p><b>6. What would be in your view the most immediate cost-effective action that ought to be taken in response to the COVID-19 crisis? Do you have any suggestions for African cotton producers? For instance, are there any low cost or no-cost technological innovations that could be easily introduced in Africa as part of the response to the COVID-19 crisis? How would such actions/innovations increase the resilience and sustainability of the cotton sector?</b></p> <p><b>Kay Hugues:</b> African cotton has the best quality attributes in the world. The biggest challenge is low yields. Low yields are due to the use of poor-quality planting such as using fuzzy seeds, poor soil health, poor plant stand, poor boll retention and improper agrochemical usage, all of which leads to pest resurgence and yield losses. The ICAC has designed a "Four Simple Steps to Sustainability" programme to address these problems with the objective of doubling yields in Africa while reducing inputs and lowering costs. These eco-friendly best practices and natural-resource technologies have been validated in experimental fields in a few countries in Asia and Africa and have the potential to transform livelihoods of smallholder farmers of Africa to enhance incomes, profitability, and the resilience of cotton crop production systems. The ICAC strongly recommends training of farmers on the "Four Simple Steps" to double cotton yields, field demonstration of the technologies in African countries and dissemination of the technologies for area-wide implementation.</p> <p>The use of online technology to reach out to farmers through training of extension personnel is a low-cost opportunity. The ICAC recently conducted a two-week online training course on "techniques for sustainable high yields". The course was sponsored by GIZ, AbTF and CotonTchad/Olam. 54 trainees participated (36 from CotonTchad and 18 from SECO Cote d'Ivoire) and the core cotton project team of Olam also attended the course. There were 30 presentations in 10 sessions with 17 international expert presenters and the topics focused on seed technology, soil testing, soil health, plant health, technologies for high yields, best practices in management of the crop canopy, square retention, boll retention, water, nutrients, weeds, pests, diseases, drought, salinity and climate change. This training course will be implemented in Zimbabwe, Tanzania and Mozambique within the next couple of months.</p> <p>The ICAC is also using innovative digital tools to support its "Four Simple Steps" programmes aimed at doubling yields in Africa in 3-5 years. These digital tools include the use of Virtual Reality training to identify pests and diseases and a module on increasing yields. The ICAC Cotton Plant and Soil Health App is an interactive technology specifically designed to communicate with illiterate farmers in their own language and dialect. The App can be used effectively as a tool to diagnose problems both biotic and abiotic and can be used as a support tool by individual farmers or extension officers or by the</p>	<p><b>All Speakers</b></p>

Questions and replies	Addressed to:
<p>village community. Penetration of the App is an issue in Africa as not all areas have adequate mobile phone coverage, but governments could help to seek the support of the telecom industry to mitigate this problem. The ICAC is currently exploring this option.</p> <p><b>Dr Heike Ostermann – Belinda Edmonds:</b> Extension services are the most cost-effective and efficient channels through which services can be delivered to large numbers of rural (frequently remote) farmers and this infrastructure should be leveraged to deliver social services (medical supplies, educational materials, PPE, etc) and in times of crisis, emergency aid. Digital technologies are becoming increasingly important and cost-effective providing improved communications with and knowledge of farmers. This can be further enhanced through partnerships with big telecom-companies to ensure affordable access of rural households to internet and data. This technology further provides an ideal opportunity to improve collection of important scientific and agronomy-related data (such as soil sampling) – compensate farmers who deliver data for agricultural data bases, in order to motivate them to contribute.</p> <p><b>Marco Mtunga:</b> Low application of inputs which include improved seeds, fertilizer both organic and inorganic and pesticides is a precursor to low yields. To achieve success, a robust seed multiplication system from breeder to certified seed must be in place. Training farmers to use available materials to make organic fertilizers is important in order to maintain sound soil fertility. This will reduce the need to use inorganic fertilizers which many farmers fail to procure if there is no credit scheme arrangement. Promoting organic insecticides will help reduce the usage of conventional insecticides thus protecting the beneficial insects and the environment. Promoting usage of ox-drawn planters and weeders will make cotton farming less cumbersome and easily attract youth bringing sustainability.</p>	
<p><b>7. Director Mtunga, you have presented facts and figures that show the importance of national and regional approaches towards the development of the cotton sector. Local conditions and priorities matter, there is no doubt. However, I would like to ask you whether you would be able to single out elements of an all-Africa Continental response to the COVID-19 crisis. Do you see common threads that could be pursued by all African cotton-producing countries as basic pathways towards a coordinated and sustainable restructuring of national, regional and continental cotton value chains?</b></p> <p><b>Marco Mtunga:</b> As things stand today, the African cotton value chain is greatly dependent on markets outside Africa. A continent with 1.2 billion people with a combined GDP of USD 2.2 trillion should plan how this massive population should get their clothing needs. African Continental Free Trade Area (AfCFTA) presents a huge opportunity for Africans to trade among themselves. The challenge to add value to the cotton Africa produces will make cotton value chain an integral part of AfCFTA. COVID-19 has brought misery to cotton farmers, as not only has the price plummeted but also moving bales from one point to another is extremely difficult. Promoting internal consumption would lead to transportation of goods instead of raw material.</p> <p>All resource poor farmers in Africa produce less because of inadequate attention to soil fertility and control of weeds, insects and diseases. Any intervention which is aimed at addressing these challenges using locally available solutions will go a long way to achieving a sustainable cotton production which will fuel integrated value chains.</p>	<p><b>Marco Mtunga</b></p>
<p><b>8. Mr Jannet, listening to the views and experiences of the private sector is particularly important for our audience. Amongst other subjects, you have mentioned possible price effects and price scenarios in the short- and medium-term. As price fluctuations have always been one of the major issues faced by cotton smallholders and small businesses, I would like to ask you what actions could realistically be taken by local regulators, national and international investors and development cooperation partners, but also by smallholders themselves, to increase their resilience to international price fluctuations?</b></p> <p><b>Charles Jannet:</b> There are various tools for managing price risk. Futures markets allow prices to be set at fairly long horizons, as well as hedging against exchange rate fluctuations. Access to such markets is usually through trading companies that simultaneously manage price risk on behalf of their suppliers and their clients. However, it is not possible to hedge the entire price risk in advance, so it is advisable to capitalize on profits from high prices and establish reserves to cover difficult periods.</p>	<p><b>Charles Jannet</b></p>