

**LAUNCH OF WORLD COTTON DAY**

**WTO, Geneva, 7 October 2019**

**Proposal for a Side Event:**

**“Market and policy trends in the cotton sector: prospects for sustainability”**

**Background**

The cotton sector contributes significantly to the economies of many developing countries, notably the least-developed countries (LDCs), as a major source of livelihood and income for millions of rural smallholders worldwide. In 2017, world production of cotton was valued at about USD 50 billion, while global trade stood at USD 17 billion. It is estimated that around 100 million family farmers depend directly on the cotton industry across 75 countries. As a result, through the generated economic activities and the impact on millions of rural smallholders and workers, cotton can make a positive contribution to the achievements of the 2030 Agenda for Sustainable Development. The importance of the cotton sector and the need to enhance it sustainability underline the necessity to understand the drivers of the market as well as identify the challenges and opportunities that lie ahead.

Demand for cotton is a derived demand, as it is determined by the demand for textiles. Over the last decade, demand for textiles has risen steadily mainly spurred by population and income growth. The removal of the Multi-Fibre Arrangement (MFA) in 2005 was also a significant contributor to boosting textile fibre consumption. A growing demand for natural fibres in recent years, as part of a marked trend for sustainability, has provided further market opportunities for cotton fibres. Sustainability considerations will continue to underline and influence the fundamentals of demand and supply in the cotton market. Globally, an estimated 15 percent of cotton is produced under some sustainability standard. Yet, despite these opportunities and prospects for expansion, the cotton share in global textile fibre consumption continues to hover around 27 percent, after accounting for close to 60 percent between 1960s and 1970s. The loss in market share has been triggered by robust demand for man-made fibres, most notably polyester.

There are, however, risks that can impede the sustainability of expanding markets. There is mounting evidence on the impact of climate change on agricultural systems, and cotton is no exception. Strategies to address climate change will have to take place in the face of declining land and water resources in many parts of the world. While it is clear that the expansion in cotton supply will have to come from productivity gains at the farm level, it is equally important that gains be also realized along the various stages of the value chain. In addition, frequent changes in public policies do not create a conducive economic environment for boosting investment in the sector. This is notably the case in some key producing countries, with, for instance, recurrent changes in stockholding policies, border measures, input subsidies and support to the domestic textile industry. Another challenge is the relatively high volatility that characterizes international cotton prices, a situation that impedes investment and affects the sustainability of production. Finally, low farm productivity, particularly in the cotton producing countries in West Africa, the so-known Cotton-4 (or C-4) countries (Benin, Burkina Faso, Chad and Mali), constitutes a major challenge for the sustainability of the sector. Innovative technologies and resources need to be mobilised to ensure that the sector remains viable and continues to be a good source of income and overall economic development for the region.

**Objective of the side event**

The primary objective of the side event is to shed light on the underlying drivers that will shape development prospects for the world cotton market, with a particular focus on the C-4 countries, as well as examine the latest trade policy issues and their implications for the sector.

The side event will depict plausible scenarios of key market trends that are likely to affect the cotton market over the coming decade, including the relationship between man-made fibres and natural fibres as well as the extent to which technology can alter that relationship. This can serve to inform and support policy-making processes at various levels in the formulation and execution of policies and investment strategies to ensure a more sustainable cotton sector.

The side event will also serve as a platform for policy dialogue, the exchange of knowledge and the sharing of experience.

**Format of the side event**

Format: Moderated panel discussion

Proposed duration: 75-90 minutes

Panellists could include senior country representatives and policy makers, international and regional organizations and representatives of other stakeholders.