



# INTERNATIONAL COTTON ADVISORY COMMITTEE

1629 K Street NW, Suite 702, Washington DC 20006 USA

Telephone +1-202-463-6660 • Fax +1-202-463-6950 • email [secretariat@icac.org](mailto:secretariat@icac.org)



## **Best Practices to Ensure Responsible Sourcing in the Cotton Value Chain**

**May 11, 2011**

**(The Embassy of Australia, Washington DC)**

The Secretariat of the International Cotton Advisory Committee (ICAC), in cooperation with GlobalWorks Foundation, organized a workshop on Best Practices to Ensure Responsible Sourcing in the Cotton Value Chain. The workshop was held from 2:00 PM to 4:00 PM on May 11 at the Embassy of Australia, 1601 Massachusetts Ave., NW, Washington DC 20036. The purpose of the workshop was to showcase responsible practices by reputable performers in the private sector.

In his introductory remarks, the Chairman of the ICAC Standing Committee, Patrick Packnett, USDA/FAS, noted that cotton and cotton textile industries are central to the economic growth of both developed and developing countries and contribute to sustainable and socially responsible development. Nevertheless, he acknowledged that the cotton industry is being criticized for having negative impacts on the environment and for social abuses. Mr. Packnett noted that the cotton industry must respond to criticisms by correcting abuses where they occur, by improving production practices to maintain the competitiveness of the cotton industry and by providing objective information about industry performance.

The Chairman thanked Jon Hixson of Cargill, David Rosenberg of Ecom, Mike Gumina of Pioneer and Maureen Mazurek of Monsanto for agreeing to participate in the Workshop. He also acknowledged Bama Athreya of GlobalWorks Foundation for her assistance in recruiting speakers and encouraging participation. Mr. Packnett extended his thanks on behalf of the Standing Committee to the Embassy of Australia for hosting the Workshop. He noted that Australia was the first cotton producing country to conduct an environmental audit of its industry in 2000, since updated at regular intervals, and to benchmark industry performance and work toward 100% compliance with its Best Management Practices guidelines.

### **Summary of the Presentations**

An excellent panel of four persons representing cotton planting seed producers and cotton ginners/merchants participated in the panel and provided insights into the philosophies and practices of their companies.

David Rosenberg, Group Sustainability Advisor, Ecom Agroindustrial Corporation, noted that Ecom is an origin-based commodity merchant with a goal of sourcing as close to farmers as possible. In more than a century of activity involving cotton and other commodities, Ecom has learned that helping small holders to raise productivity and improve quality so as to improve incomes are the keys to improving labor practices. Mr. Rosenberg observed that the role of governments is changing to include supporting public-private initiatives that advance research and extension services, support international labor and environmental standards, and ensure the rule of law and the enforcement of contracts. He said that Ecom has joined an initiative called BCI, which is working to create a mainstream approach to improved supply chain practices.

Mike Gumina, VP-Production & Global Safety, Health & Environment, Pioneer Hi-Bred International, Inc. noted that Pioneer held core values, including safety and health, environmental protection, ethical standards and respect for people and that these values served as the basis for evaluation of production practices. Pioneer is producing hybrid cotton planting seed in India, an industry that is highly labor intensive. Pioneer is operating in 556 villages with about 2,200 growers and approximately 7,700 workers. Pioneer uses a range of strategies and procedures to prevent child labor in its planting seed operation, including contract incentives, public information campaigns, door-to-door meetings with farmers and their families, village meetings, and random audits of fields. Pioneer reinforces its no-child-labor message by

removing children from fields when found, providing counseling to growers, withholding incentive payments for offenders and in cases of repeat violations, disqualification as a Pioneer grower. Mr. Gumina noted that governments need to be involved in implementation and enforcement of labor standards, and that the industry as a whole needs to agree to appropriate labor standards.

Jon Hixson, Director of Federal Government Relations, Cargill Agricultural Supply Chain, said that half of Cargill's employees worldwide are located in developing countries. He said that while different countries have different customs and values, there are overarching Cargill core values that prevail everywhere, including respect for the rule of law, environmental protection, respect for people and community involvement. He noted that in Zimbabwe, where Cargill operates cotton gins, prompt cash payments for seed cotton delivery and transparency in grading and weighing cotton, had proven to be highly beneficial to small holders, especially women who tend to most often harvest and deliver cotton to collection points. He noted that Cargill participates in rural development projects, such as providing access to drinking water and education. He said that in the cotton sector, Cargill provides extensive training to farmers in order to raise productivity. Cargill participates in a project sponsored by the Government of Germany, Cotton Made in Africa (CmiA), which works to raise productivity and quality and to connect farmers with the value chain through to retail. In Zambia, Cargill is working with 42,000 farmers as part of the CmiA project. Mr. Hixson observed that land rights and contract sanctity are crucial to empowerment of farmers. He said that complexity of the value chain posed a special challenge for the cotton industry.

Maureen Mazurek, Director, Sustainable Ag Corporate Responsibility People & Planet, Monsanto, said that after a thoughtful 18-month stakeholder dialogue and informed by two important declarations, The Universal Declaration of Human Rights (UDHR) and the Declaration on Fundamental Principles and Rights at Work (DFPRW), Monsanto adopted a Human Rights Policy. She said that Monsanto works in 36 countries with tens of thousands of farm households. In India, Monsanto will work with more than 26,000 growers this season to produce hybrid cotton planting seed. Monsanto communicates expectations about labor practices to farmers and their families through both group and individual sessions, it monitors fields during the production season, provides educational opportunities to children if necessary, and includes positive incentives in contracts with farmers as well as sanctions if child labor is used. Monsanto trains all of its internal employees about human rights issues, and an internal network of nearly thirty human rights champions in Monsanto monitors and enforces standards and shares best practices. Ms. Mazurek noted that local customs are often at odds with international conventions, and she observed that there is greater adherence to labor standards when all players in the industry are committed to adoption.

### **Summary of Issues Discussed**

#### Monitoring Compliance:

In response to a question about monitoring compliance with social standards, panelists described auditing procedures, including random sampling of fields during harvest periods. It was emphasized that auditors must actually visit fields to conduct first-hand observations of activity rather than relying on interviews in villages.

It was noted that cultural changes are necessary in many rural areas to bring labor practices in line with international conventions, and it was agreed that growers must realize an economic benefit from improved production practices.

#### Children's Work vs. Child Labor:

Child labor is defined by International Labor Organization (ILO) conventions as work that is hazardous, unduly arduous, or that interferes with education. Panelists noted that children commonly work in agriculture around the world, and that in many rural areas of developing countries there are no schools to attend. The legal working age varies from country to country and sometimes from state to state within countries. Workshop participants from India and Pakistan recounted their own positive experiences working as children in village agriculture, and they noted that manual work contributes to skill development, thus advancing education.

While acknowledging that children's work is often necessary and sometimes beneficial, panelists affirmed that human rights are universal rights and that economic exploitation of children is wrong. Panelists noted that their companies have in place specific programs to curtail exploitation of children in their value chains.

Panelists noted that there is a whole sphere of metrics beyond labor standards, including energy use, water quality, wages, working conditions, and environmental impacts of production practices.

Transparency:

In response to a question about transparency, panelists reported that the audit reports of compliance with social standards by each company are publicly available. It was noted that certification programs could provide traceability, but that scaling across an industry with 250 million participants is a challenge. Mainstream programs such as BCI and CmiA may be an answer to the issue of scalability. Given the complexity of the cotton value chain from farmers to retail, a pull-through system that allows retailers to pay the costs of certification by charging price premiums will be inherently difficult to implement, but BCI is showing progress towards overcoming the challenge of implementing a workable system

Role of Governments:

Panelist agreed that positive impacts from cotton production and trade are more likely to be achieved in an environment of responsible production practices. Panelists reiterated that governments could support growth in the cotton value chain by ensuring land rights and contract enforcement, by investing in research and extension, and by enforcing social and environmental standards consistent with international norms.

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