The Business Case for the Production and Use of Sustainable Cotton

INTRODUCTION

Sustainability of cotton is an issue with a growing importance and potentially with strong impacts on the global cotton and textile industry. Just to mention one example of a recent campaign against non-sustainable cotton. The Environmental Justice Foundation has published a report with the title *White Gold – the true cost of cotton – Uzbekistan, the crushing of a nation.* The report focusses on the alleged problems of both human rights violations and environmental destruction as a result of cotton production in Uzbekistan. The foundation calls for boycotting unacceptable cotton from Uzbekistan and urges international companies such as cotton merchants, textile companies and retailers to take more responsibility.

Apart from being a ‘negative’ issue, which potentially threatens markets for cotton and textiles, sustainability of cotton is, for an increasing number of textile companies, especially retailers with well-known (global) brands, a positive issue that may open new markets and improve corporate reputations. COOP Switzerland (in cooperation with Remei) is actively promoting organic cotton from India and Tanzania. Marks & Spencer (M&S) is marketing Fair Trade cotton from different countries, as has been discussed during the morning session. The Otto Group, in cooperation with a coalition of retailers and development organisations, is promoting the label *Cotton Made in Africa,* to show their commitment to social and environmental sustainability. Ikea is sponsoring projects in India and Pakistan that should lead to the implementation of best management practices (BMP) and could become a strong basis for developing an international standard that will guarantee a minimum level of sustainability (*Better Cotton Initiative*). Many other companies are doing or are planning to do similar things.

Worldwide cotton production is intrinsically linked to (sometimes very) serious ecological and social problems. This presentation will not make an attempt to give a systematic overview of those problems. Neither will it try to make an assessment of the differences that may exist between the subjective statements of certain NGOs and the real situation in the cotton fields. I contend to summarise the categories of the main problems related to cotton cultivation.

- On the ecological side, the intensive use of chemicals (especially pesticides, but also fertilisers) and the use of large quantities of water (irrigation) are leading to serious

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2 Presentation by Graham Burden, Marks & Spencer, ICAC 2006, first open session (September 11, 2006).

3 I refer to the presentations during the first open session, especially the presentations by Francesca Mancini (FAO) and Jason Clay (WWF).
problems with regard to degradation of freshwater resources, soil degradation and loss of biodiversity.

- On the social side, there are safety problems (related to chemicals) and in many areas, there are strong links between cotton cultivation, poverty and debt problems, human rights and gender issues. I refer to other presentations and publications for more details.

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The existence of definitely non-sustainable practices in cotton cultivation is clearly a threat to companies in the spotlights of public opinion that use this unsustainable cotton. Eventually, it will develop into a threat to the sector as a whole. What is at stake here, is the social and environmental acceptability of a global commodity. Therefore there is a need for a clear standard. Evidently, in a global commodity market, only a global standard makes sense.

Moreover, the standard should be a minimum standard. The standard is meant to exclude the unacceptable, not to reward the best. A standard that excludes the unacceptable is the most effective contribution to ecological and social improvement.

Although there is a legitimate role for niche markets for ‘sustainable cotton’ to play, their direct contribution to environmental and social improvements is necessarily small. Organic cotton (which claims to be at the top of the sustainability spectrum) has a market share of less than 0.2% today. A doubling of this market will not represent a substantial quantitative contribution to sustainability. Moreover, improving 1000 ha of cotton fields with highly unsustainable chemicals and water imputs towards acceptable levels, is a far more substantial contribution to sustainability than, for example, converting 1000 ha of natural or semi-natural unpolluted land into organic cotton fields.

A minimum standard is not an instrument of competition (as higher ‘niche’ standards may well be), but a condition to become or to stay a legitimate player in the cotton commodity market.

The next question is: who will be responsible for defining and implementing such a global minimum standard. In the end, a global minimum standard should be embedded in international organisations and international law. In the longer run, all players can and should make their specific contributions. National governments and intergovernmental organisations (and certainly ICAC) have their role to play, but private business players, in cooperation with major stakeholders, including international NGOs, can take the lead. Business players have positive interest to develop standards and to convince public players to play their role in national and global implementation.

This is the subject of my presentation today. How can private business, in their own business interest, develop and implement such a global minimum standard for sustainable (or at least: acceptable) cotton.

[slide 7]

To avoid an abstract discussion on the development of minimum standards for sustainable cotton on the basis of a private sector initiative, it should be emphasised that this is not a new issue at all. It has been done before for other commodities and with increasingly
positive results. I only mention a few examples. One of the best known examples is in the area of forestry and forestry products. The Forestry Stewardship Council (FSC) have developed global principles for sustainable forestry and implemented them on the national level. Other examples related to cacao, coffee and a number of other agricultural commodities.

The most relevant example for our purpose, however, is the Roundtable on Sustainable Palm Oil (RSPO), which was created by an initiative of Worldwide Fund for Nature (WWF) in cooperation with leading companies in the food/retail sector, vegetable oil processors and plantation companies. RSPO shows that, in such private sector and NGO based initiatives, global criteria can be developed at a remarkable speed. First steps to organise RSPO were made in 2002. In 2005, RSPO criteria for sustainable palm oil were endorsed by the members. A substantial part of the global palm oil industry, including major palm oil plantation companies in Indonesia and Malaysia, is now supporting the RSPO criteria. It may be expected that, in the near future, governments will use RSPO criteria as an input into their own regulation.

The Better Cotton Initiative, also initiated by WWF in cooperation with major retailers and others, will most probably lead to a similar set of minimum criteria for ‘sustainable’ or ‘better’ cotton.

THE BUSINESS CASE FOR SUSTAINABLE COTTON

[slide 8]

The private sector can be a driving force for developing and implementing a minimum sustainability standard, such as the future Better Cotton standard. With ‘private sector’, we mean companies along the entire supply chain from retailers at the end, through textile companies in the middle until cotton producing companies, including ginners and farmers.

Before I address the question of the ‘business case’ for producing and using sustainable cotton, I will discuss the basic mechanism that motivates players in the supply chain to ask for ‘sustainable’ (‘better’, ‘organic’, ‘Fair Trade’, …) cotton. This mechanism is driven by corporate social responsibility risks (and opportunities) in the first place.

[slide 9]

In slide 9, we see a highly simplified picture of the cotton and textile supply chain. On the left, we have indicated that cotton cultivation is linked with different ecological and social issues, as has been discussed already. The following elements in the supply chain are cotton

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4 This issue was also addressed in Jason Clay’s (WWF) presentation. During my presentation in Goiânia, this slide was skipped.

5 www.rpo.org


7 A more complete analysis will need to address, apart from the consumer pressure on retailers, a second major mechanism: pressure from the capital market, especially ‘ethical’ investment funds that rank companies on the basis of (implementation of) their ethical standards (including sustainability standards).
trade, textile industry (actually consisting of many different activities), retail and final consumption. Social and environmental issues are being framed, mainly by an interaction of NGOs and media, especially in highly developed, rich countries (Europe, USA, …). They create pressure on consumers and retailers to refrain from ‘unacceptable’ cotton. They try to attack well-known brands. I have already given the example of the Environmental Justice Foundation, who try to make retailers, cotton traders and others accountable for the social and environmental disasters that are allegedly linked with Uzbekistan cotton. Whether such allegations are right, wrong or (as they often are) somewhere in the middle, is not that important. Right or wrong, they create a risk for brands and companies, especially retailers at the end of the chain with established (global) brands.

As a reaction, many retailers have started, or are preparing first steps, to create a more transparent supply chain and to set ecological and social standards to their suppliers. For the textile industry this is only a next step in an ongoing process. For companies such as Nike (just to mention one example out of many), ethically unacceptable working conditions in the textile industry were a major issue in the 1980s and 1990s, leading to major conflicts and high damage to company reputation and brands. The industry’s reaction was the development of minimum social standards for the textile industry. SA8000, established in 1997, is the most important global standard in this respect.

(Apparently, there was and still is a clear business case for implementing such standards. One cannot expect large private companies to do this on ethical grounds or as charitable work only. In the case of SA8000, the risk of damage to brands, company reputation and market shares was simply not acceptable. It takes a long time and huge resources to build up a brand reputation. It can be destroyed overnight. There is a clear business case for implementing SA8000 or comparable minimum standards.

What is the business case for implementing a (minimum or higher) standard for sustainable cotton? It is not against any law or regulation to use non-sustainable cotton or to have suppliers (of suppliers) who use this cotton. Implementing sustainability standards for sourcing cotton or textile made from cotton can only be justified on the basis of a clear business case. What are the main elements of this business case?

In the following, I restrict myself to discussing the retailer and the farmer only. There can only be a business case for sourcing sustainable cotton (instead of conventional cotton) if this creates economic advantages for both the cotton farmer (who is required to make the changes in the field) and the retailer (who needs a clear incentive to implement the sustainability standard, that is requiring his suppliers and the suppliers of his suppliers to implement this standard), whereas there are (at least) no economic disadvantages for other players in the supply chain.

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10 A more complete analysis would require the inclusion of many players more. However, apart from the business case for the farmer, the business case for the retailer is the most important aspect here, as the pressure in the supply chain is (or is not) generated by the retailer in the first place.
• It is not enough to realise environmental improvements in the cotton field. In addition, there should be advantages for the farmer in terms of income (better cotton price, higher yields, less inputs, more income security, etc.) and, additionally, in terms of social conditions (including health).

• What are the advantages for the retailer? There are basically three categories of advantages, which can have a different weight for different retailers and for different markets:
  
  o supply chain security
    implementing sustainability standards contributes to a stable, long term availability of a strategic raw material;

  o company and brand reputation
    I have discussed this factor already;

  o premium market
    In some (but not all) cases, the end consumer is willing to pay a premium price for a more sustainable product. In such a case, the costs for implementing sustainability criteria\(^{11}\) are being earned back in the consumer market.

Three Cases

Let us examine three concrete projects, in which large retailers with well-known brands have committed themselves to developing and implementing sustainability standards and implement those standards in their sourcing policy.

BioRe India / COOP Switzerland
[slide 11]

The Business Case for the Farmer

The first project that I would like to discuss, is probably the biggest organic cotton project in the world. The BioRe project in Madhya Pradesh (India) involves about 2000 farmers, who produce some 4200 mt of organic seed cotton, or 1500 mt of lint. The project is based on a strong partnership philosophy, which includes long term commitment of all partners. There is a 5 year purchase guarantee for the farmers who switch to organic cotton. They receive a premium price, 15-20% above the market cotton price. Of course, they have to fulfill the strict requirements of organic cotton cultivation, but as long as they do that, there is a clear business case for the farmer. Input costs, as a result of low-chemicals organic farming, are evidently much reduced. Against what many would expect, yield per acre is reported not to be less than in the case of conventional cotton.\(^{12}\)

\(^{11}\) N.B. Costs for implementing sustainability standards not only include costs for improvements in the cotton field, but also costs for certification of cotton cultivation, chain of custody certification and added logistic costs (separation).

\(^{12}\) www.organiccotton.fibl.org
The resulting farmer’s cotton income is reported to be 30-40% higher than the income of their non-organic colleagues. Because of some remaining problems related to rotation crops, their overall margin increase is somewhat lower, but nevertheless 15%.

**The Business Case for COOP Switzerland**

COOP Switzerland is going for a remarkably proactive ‘green’ product policy. In their Naturaline textile assortment, they use organic cotton, which is sourced from BioRe projects in India and Tanzania. The COOP Naturaplan Fonds is financing the development of organic cotton projects. What is the business case for COOP Switzerland? As we do not have any insights into the detailed economic calculations and decision processes within COOP, we can only guess. Textiles from organic cotton come at a cost. Not only are the farmers paid better than for conventional cotton, there are also substantial certification and project costs to be taken care of.

Apparently, there are two important factors. On the one hand, the COOP-BioRe cooperation in India and Tanzania have strongly contributed to a highly positive corporate image. For different reasons, environmental and ethical issues appear to play an important role on the Swiss consumer market, even more important than in the EU countries. The two market leaders in the Swiss retail business, COOP and Migros, are also competing on ethical and environmental issues. COOP is still leading on the cotton issue, but Migros has made a good start in promoting organic/fair trade cotton from Mali, for example.

The second factor is the consumer market, which apparently is willing to pay for (good) textile products from organic cotton. We do not have any information on the extent to which COOP is able to earn their additional cotton and certification costs back on the consumer market, but we may assume that the Naturaline as a whole is a profitable market segment.

**Cotton Made in Africa – Otto Group and others**

Cotton Made in Africa is an initiative of the Otto Group (Germany) in cooperation with German development organisations and NGOs. Its objective is to market cotton from African countries and to contribute to a more sustainable development of the African cotton sector in different countries. Pilot projects are underway in Benin and Zambia. Burkina Faso is in the planning pipeline. Other countries will follow. Retailers involved are Otto Group and Tom Tailor. More retailers are expected to join shortly.

Here I discuss the Benin project only. Figures do not include Zambia, Burkina Faso or other countries.

**The Business Case for the Farmer**

The project is based on a set of sustainability indicators, developed by the Alterra Institute of the University of Wageningen. In the different countries, the farmers are assisted to

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13 [www.cottonmadeinafrica.org](http://www.cottonmadeinafrica.org)

implement a number of improvements that are specifically needed in the region under consideration.

In Benin, the Cotton Made in Africa project is carried out by the German development organisation GTZ in strong cooperation with local players. Farmers are being trained to apply better methods of pest management (on the basis of ‘Lutte Étagée Ciblée or LEC, a form of integrated pest management developed by CIRAD) in combination with a number of other measures, for example to avoid soil erosion and improving organic matter.

The present Benin project is located in the Atacora region and includes some 8,000 farmers or 5,000 tons of lint. In the other African countries, similar projects are being prepared, with similar numbers involved.\(^{15}\)

For the farmers, the main and deciding contribution to their business case is the expectation of a drastic yield improvement. GTZ studies report realistic improvements of up to 50%. In view of the presently low doses of chemicals (in many cases lower than needed for optimum yield), input costs will not go down substantially in this project.

In contrast to the BioRe case discussed above, the farmers will not receive any price premium. There will be some additional advantages for the farmers, however. One advantage will be a guarantee of timely payment and the availability of inputs at the right time. Payments and inputs are a problem in the present Beninese system.

The feasibility of the Benin project largely depends on realising the promised yield improvements, which are not yet known in the present project development stage. If the project fails to reproduce the expected yield improvement, there will be no farmer business case, which will be the certain end of the project, as farmers are participating on a voluntary basis.

**The Business Case for the Retailers**

Again, I can only speculate about the retailers’ business case. It appears that brand and company reputation is the most obvious profit from this project. In addition, there could be the development of an interesting and profitable market segment for high quality Cotton Made in Africa clothing. To what extent this will be the case is an open question. To what extent can the solution of African poverty problems be used as a positive marketing signal to end consumers?

There could be an interesting side-effect of setting up supply chains for Cotton Made in Africa, which does not have anything to do with sustainability but with traditional quality only. African cotton has the potential to be marketed as a high quality cotton because of its hand-picked character. Pollution problems (such as polypropylene contamination), however, make that African cotton often has a negative reputation, even more negative than is justified by the real situation. If CMIA manages to develop into a quality label for African cotton, this could highly contribute to a positive business case.

**WWF/Ikea – Bahawalpur project (Pakistan)**

[slide 13]

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\(^{15}\) In Zambia, Cotton Made in Africa is working together closely with the Dunavant (Zambia) cotton company. Environmental improvements are based on so-called ‘conservation farming’ and a number of additional measures. Public support is given by the German development bank DEG.
The goal of this project is to improve farmer livelihood through the introduction of Better Management Practices (BMP) in one district of Pakistan, to ensure sustainable improvement in the natural, financial, social and human capital available to the cotton farmers, and promote its adoption throughout Pakistan and internationally.

The project started in 2005 and will continue until 2009. It was started as a WWF/Ikea project and was later merged with the EC Funded ‘BMPs for Water Thirsty Crops Project’.

The central element in this project is formed by the Farmer Field Schools (FFS), in which the farmers learn to apply better management practices, especially relating to the use of pesticides, fertilisers and irrigation systems. During the first two years, 900 farmers were trained. Over the entire project period, one may assume some 2260 farmers.

The objective is to adopt better management practices. At least in this phase, the project is not about fixed standards and/or certification. The farmers adopt the practices in their own best interest. There are no other negative sanctions on not following the guidelines than the consequences on their own income.

The Business Case for the Farmer

Substantial reduction in the use of chemical inputs are being reported. Pesticides would go down with 40-60% and 20-27% less fertilisers would be needed. Precise information about the effects on irrigation costs is not available to me at this point of time.

The Business Case for the Retailer

Ikea is involved as a sponsor of the WWF project. Ikea has chosen not to communicate about their cotton policy at this early stage. Nevertheless, we can make the following plausible observations.

- Ikea is looking for a consistent strategy for one of their most important raw materials: cotton.

- Ikea has done this before for their top raw material: timber. Ikea has formulated a policy, based on the so-called staircase model, which defines entry levels for suppliers (level 1 = known origin, 2 = acceptable) and requirements for sustainable forest management (levels 3 = 4wood = transition to 4, 4= well managed forests). Currently, the only level 4, recognised by Ikea is the FSC standard.

- One may assume that Ikea will try to follow a cotton strategy that is similar in some respects:

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16 For more information, see Pakistan Sustainable Cotton Initiative, leaflet produced by WWF Pakistan, Lahore, 2005 or 2006. Pakistan Sustainable Cotton Initiative Project (Bahawalpur), Baseline Survey of the Project Area, Draft, WWF Pakistan, March 2006.

17 I refer to Francesca Mancini’s (FAO) excellent presentation for more technical details about the goals, methods and results of Farmer Field Schools.

18 Ikea’s company policy is not to communicate on intentions or plans, only on results.

19 http://research.yale.edu/gisf/assets/pdf/dd/IEKEA_position.pdf#search=%22Ikea’s%20position%20on%20forestry%22
o Ikea will most probably focus on the global brand Ikea rather than on different sustainability related or green labels.

o Sustainable cotton criteria will most probably become part of a set of supplier criteria, not unlike the criteria for wood suppliers.

o Most probably, these criteria will be strongly integrated into quality standards and quality control systems.

o Possibly, it will be some step-wise model, such as the staircase model.

- Ikea is member of the Better Cotton Initiative, which underlines that they have an interest in promoting a global industry standard rather than only a ‘green’ marketing tool for their own products.

It is therefore safe to assume that Ikea’s business case is related to supply security and corporate reputation (possibly integrated with quality issues) and is certainly not motivated by the possibility of creating any sort of premium market for more sustainable cotton products.

DIFFERENT RETAILERS, DIFFERENT SUPPLY CHAINS

Different Retailers

[slide 14]

What can we learn from these three cases and our additional research on additional cases?

[slide 15]

From our earlier research20, we see basically four different types of retailers:

- **Group 1: no interest**
  There is a relatively large group of retailers that does not have any major interests in (cotton) sustainability issues. Because of the character of the markets they serve and the related character of their brand(s), there is no clear business case for implementing sustainability standards above the legally required level.

- **Group 2a: interested in minimum industry standards**
  These are the visible retailers with well-known brands and major reputation risks.


They support the development and the implementation of industry-wide sustainability standards, which they need for protection against reputation risks in the first place. They have a positive interest in linking such social and environmental standards with quality standards. They will not market their products as ‘green’ or ‘sustainable’ products. The consumer market will not reward their efforts for sustainability in terms of higher consumer prices or higher sales. Therefore, sustainability standards will not be communicated as a main message to the end consumer and there will be no on-product labelling. They will use the standards as a part of their supplier requirements. In contrast to Group 2b (see below), they will not get involved in the cotton supply chain.

- **Group 2b: integrated companies, with interest in minimum industry standards**
  The only difference with the preceding category is that these companies tend to build up integrated supply chains and become more involved in the cotton business than their colleagues.

- **Group 3: companies who sell premium products in premium niche markets**
  The end consumer is willing to pay these companies for their efforts with respect to sustainability. Typical markets, in which these companies operate, are the organic cotton and the fair trade organic cotton market. In contrast to group 2, the standard (organic, organic fair trade) is actively communicated to the consumer. On product consumer labels may be part of the marketing strategy.

Different Supply Chains

In the standard situation, the cotton and textile supply chain is not transparent. It is hard or virtually impossible to trace back the cotton from the T-shirt or the bed-linen to the cotton field. In the standard situation, retailers and textile manufacturers lack control over the source of their cotton. In order to implement (minimum) standards for sustainability, there is a need for more control, higher transparency.

**The integrated supply chain**

[slide 16]

In order to create full transparency, producers and retailers of organic cotton textiles have created fully integrated supply chains that are completely controlled. Organic cotton from known fields is ginned by known gins and separately transported to spinners that separately produce organic cotton yarn to be shipped to known manufacturers. The organic cotton end product, made from identified organic cotton yarn, is then separately shipped to the retailer. Not only the cotton in the field but also the entire chain of custody must be certified in order to guarantee identity preservation from field to T-shirt.

The advantage of this system is the proven traceability of the end product and therefore the opportunity to label the end product with its sustainability guarantees. The high costs, not only for chain of custody certification but also for the inefficiencies involved as a result of working with small quantities, are the downside of it.

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22 From a sustainability point of view, this a bad situation. From the additional price the end consumer pays for the ecologically improved end product, the majority is spent on certification, logistic problems, etc. and not on improving the environment.
Only those retailers, who can effectively earn back their traceability, certification and labelling efforts in the consumer market, i.e. retailers of group 3, have an interest in implementing such integrated supply chains.

The commodity supply chain

The problem of retailers in group 2 is not to guarantee full traceability. Retailers in group 2 want to guarantee minimum standards. They want to guarantee that no cotton below the minimum standards is entering the system. They do not have an interest in knowing exactly where the cotton for a specific production batch has come from. They need a commodity grade according to a minimum standard. Mixing cotton (as cotton in the beginning of the chain or as yarn or cloth in later stages) is not any problem as long as all cotton conforms to minimum standards.

The system requires some simple book-keeping procedures and checks. It does not come without costs, but it is definitely less costly than the above discussed system of full traceability. It will not allow for full traceability or on-product labelling, but that is not what group 2 retailers need.

In slide 18, we have summarised the different characteristics of the different supply chain options.

- For implementing global minimum sustainability standards, we need a commodity supply chain option, based on cooperation on the global industry level. Interested retailers belong to group 2.
- For implementing niche market standards such as organic or organic fair trade, the integrated supply chain option may be interesting, based on cooperation on the individual company level. Interested retailers belong to group 3.

CONCLUSIONS

I would like to state my conclusions in the framework of a potential development scenario.

A Scenario

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23 Even this ‘graded commodity’ solution may create costs that the companies involved are not happy to pay. Alternative solutions are in discussion, not only for cotton, but also for other commodities such as palm oil. One option for keeping the costs down is to refrain from physical separation of sustainable from non-sustainable, but to create a separate market for certificates for every unit of sustainable commodity produced (e.g. bales of cotton). Retailers can commit themselves to buy the same amount of certificates as their use of cotton. The system has been introduced successfully in the green electricity market, where it is technically impossible to separate the ‘green’ from the ‘black’ electrons.
Let us assume that the global cotton sector takes the issue of sustainability seriously and that it will phase out unsustainable cotton step by step. An optimal scenario could look like this:

1. Present global cotton production is 25 million tons (lint). It will show some (moderate) growth over the years to come. I have assumed a growth from 25 to somewhat more than 30 million tons until 2020. Other figures may be used. They are not essential for our argumentation.

2. We know that today there is a substantial part of total cotton production which cannot be classified as sustainable because of their serious impacts on man and environment. Let us suppose that at least half of today’s cotton production needs improvement before we can call it sustainable.

3. In some years from now, a (draft) minimum standard for ‘sustainable’ cotton (‘acceptable’, ‘better’ cotton, …) will be accepted by major players in the cotton industry.

4. From 2010 onwards, cotton areas or regions\(^{24}\) will be certified according to this standard and a global commodity supply chain system will be in place. Let us call it ‘Better Cotton’.

5. The share of ‘Better Cotton’ will gradually increase over the years to come. An optimistic assumption would be that by 2020, more than 50% is ‘Better Cotton’, the minimum standard for any self-respecting company to buy.

6. In the meantime, the quantity of premium quality cotton (such as organic and organic fair trade) will show a spectacular growth (which is already the case today). From a figure that is hardly visible on the graph (<0.2%), it will grow to some 3% of the entire cotton market. Experiences gained in organic cotton growing and in the organic textile market will be important, also for more conventional markets.

Summarising

- The cotton sector should agree on global minimum sustainability standards before 2010.
- BCI is the only realistic and credible starting point.
- The private sector should take the lead in creating a commodity market for ‘better’ cotton, avoiding costly integrated supply chains.
- Major retailers/global brands should implement this standard at an early stage.
- They should show to the textile sector how the business case for sourcing ‘better’ cotton can be built.
- Niche markets (organic, fair trade) are an important motor of innovation, but will not create the required global solution.

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\(^{24}\) It is questionable whether certification is needed on the field level. It may be sufficient (and much cheaper) to classify entire cotton regions, as the goal is not to optimise a single farm but to reduce the negative impacts of cotton growing in key cotton regions.
Let me finish with re-phrasing the question that was the basis for this presentation: “Is there a business case for sustainable cotton?” This is the wrong question. The right question is: “Do we see the need to create a business case for sustainable cotton?” and (if we answer that question positively), “How can we create it and who should be involved?”. Individual companies have an important role to play. In the end, however, single business players will only be successful, if a global industry solution will be available. Also ICAC will have a major role to play.
The Business Case for the Production and Use of Sustainable Cotton
elements from West Africa, India and Pakistan

Dr. Reinier de Man

PART I: INTRODUCTION

Cotton & Sustainability: a public issue

Cotton & Sustainability: a business issue

Cotton & Sustainability: Issues

- Ecological issues
  - pesticide use
  - fertiliser use, other chemicals
  - water use, degradation of freshwater resources
  - resulting in soil degradation, erosion, biodiversity loss, etc.

- Social issues
  - health risks (pesticides etc.)
  - poverty and debt problems
  - human rights, gender issues
  - ....

Cotton: The Need for a Global Minimum Sustainability Standard

- There is a need for a standard
- The Standard must be global
- global commodity markets need global standards
- A minimum standard
  - distinguishing the acceptable from the non-acceptable
  - rather than awarding the optimum
- Role of different players
  - governments
  - intergovernmental bodies
  - private business: my focus today
Global Sustainability Standards for Commodities: Growing Experience

SUSTAINABLE BUSINESS DEVELOPMENT

The Business Case for the Production and Use of Sustainable Cotton examples from West Africa, India and Pakistan

PART II: THE BUSINESS CASE FOR SUSTAINABLE COTTON

The Supply Chain Mechanism

Business Case for Sustainable Cotton

EXAMPLE 1: COOP/BioRe-Maikaal

EXAMPLE 2: Cotton Made in Africa
EXAMPLE 3: WWF Bahawalpur project, Pakistan

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<th>PROJECT</th>
<th>WWF - Pakistan</th>
<th>Example Sustainable Business Development</th>
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<td>RETAILERS</td>
<td>IKEA</td>
<td>FARMERS</td>
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The Business Case for the Production and Use of Sustainable Cotton examples from West Africa, India and Pakistan

PART III: DIFFERENT RETAILERS – DIFFERENT SUPPLY CHAINS

Four Retailer Segments

1. no interest
2a. minimum standards
2b. selective supply chain support
3. organic Fair Trade

Integrated supply chain

- guaranteed sourcing from known fields
- traceability from ‘shirt’ to field feasible
- extended options for labelling (including on-product labelling)
- relatively high cost

Commodity supply chain

- controlled separation of ‘better’ from conventional
- no traceability from ‘shirt’ to field
- limited options for labelling (B2B, less attractive for on-product labelling)
- relatively low cost

Two Supply Chain Options
The Business Case for the Production and Use of Sustainable Cotton examples from West Africa, India and Pakistan

PART IV: CONCLUSIONS

Summarising

- The cotton sector should agree on global minimum sustainability standards before 2010.
- BCI is the only realistic and credible starting point.
- The private sector should take the lead in creating a commodity market for ‘better’ cotton, avoiding costly integrated supply chains.
- Major retailers/global brands should implement this standard at an early stage.
- They should show to the textile sector how the business case for sourcing ‘better’ cotton can be built.
- Niche markets (organic, fair trade) are an important motor of innovation, but will not create the required global solution.