Innovation Forum
events and insight for sustainability

Management briefing

Sustainable and ethical cotton sourcing
How to get it right, and make it pay for your business

Principal sponsor

CottonConnect
Welcome to this Innovation Forum special report.

In this, the next in our series of focused management briefing reports, we consider cotton's global supply chain and the growth of more sustainable cotton.

Each of the contributors here – whether corporate executives, NGO experts or journalists – will help continue the debate at Innovation Forum’s conference on sustainable and ethical cotton sourcing on 16-17 March in London.

We hope to see you there.

Toby Webb
Founder

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Editor

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About Innovation Forum
Innovation Forum was founded in 2014 by Toby Webb. Making up the team are Oliver Bamford, Charlene Ordonez, Boris Petrovic and Ian Welsh.
Many cotton buying brands and retailers recognise the need to reduce the environmental and social impacts associated with cotton production. Over the last few years, significant progress has been made in developing more transparent cotton supply chains.

Cotton farmers are being trained in techniques to grow cotton more sustainably while also improving their income. However, while securing a sustainable supply of cotton is something that matters to brands and manufacturers, what will it take for businesses to commit to buying only sustainably-grown cotton?

In the face of barriers such as price and the challenges of achieving traceability, what is the tipping point?

Experience from other sectors suggests that the business proposition will be driven by two imperatives: firstly, the need for a sustainable supply of raw materials to make the garments and products, and, secondly, demand for ethically sourced clothing from retailers and their consumers.

**Sustainable supply**

Clearly, brands and manufacturers need to have a secure supply of cotton to make their products. But how do they trace a supply chain that is constantly changing and where both ends of the value chain have options to buy or grow another raw material?

In China, for example, cotton farmers now find it can be more profitable to grow sunflowers than cotton. Other crops are more established, such as cocoa or apples, but every year cotton farmers can decide which crop to grow and they may not always chose to grow cotton. This therefore can change the availability of the crop, including sustainably-grown cotton.

Likewise, manufacturers and retailers have a choice of cotton or alternatives such as polyester. With the falling price of oil, polyester may well become a cheaper option. This in turn can affect the demand for sustainably grown cotton.

For procurement there is a tension between flexible sourcing and vertical integration. The challenge for suppliers is to ensure that the right fibre is available when needed and at a competitive cost. There is also a need for greater accountability and commitment to suppliers.

To increase the demand for sustainably grown cotton to the point where it becomes a profitable crop for farmers to grow, ethically sourced cotton has to become desirable.

**Consumer questions**

Whilst consumers may state a preference for ethical sourced cotton, in reality they don't go to the shops to buy cotton, they...
go to buy garments. How they are made is often a secondary concern after price and style.

What may change this is the view of the millennial generation – in their 20s and early 30s – who are more aware than their parents of the need for sustainably and ethically sourced products, and are more willing to pay for it. Retailers have a dual role to educate their customers on the one hand and to provide what they want on the other.

A recent survey from the Fairtrade Foundation found that 82% of UK teenagers think companies need to act more responsibly, while just 45% said they trust businesses to do so.

In general, 33% of the global population is willing to pay more for sustainably manufactured and sourced goods.

However, according to 2013 Aspirational Index by BBMG and Globescan, this rises to 91% of "aspirational".

Aspirational are materialists who define themselves in part through brands and yet believe they have a responsibility to purchase products that are good for the environment and society. Four in ten millennials are part of the aspirational group.

**Millennials matter**

While millennials are already a potent force, they will truly come into their own by 2020, when, according to Accenture, their spending in the United States will grow to $1.4 trillion annually and represent 30% of total retail sales.

The fact that millennials also buy more clothing than previous generations means this consumer group could cause the ethical shift in fashion buying that the previous generation caused with food buying, but only if the other parts of the value chain – the farmers, mills, brands and retailers – are up to speed too.

Just as Fairtrade and ethical sourcing certification have become necessary labels for food manufacturers, clothing brands will need to show consumers that they are sourcing sustainably. How much this would drive increased brand trust rather than brand share is an interesting question.

So where are we on the journey to sustainably sourced cotton? There are well established sustainability initiatives such as Fairtrade and Better Cotton. CottonConnect works with brands and retailers to deliver results from REEL (our own sustainable cotton programme), organic and Better Cotton initiatives, working to reduce water use, pesticide use and child labour while increasing farmers’ incomes and improving soil health and biodiversity.

The knowledge and programmes are available but sustainably sourcing cotton must become a business priority.

We have to find the business case for all in the supply chain from farmer to retailer. If on this journey we can inspire people to make more sustainable choices we might achieve a tipping point.

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**Alison Ward** is CEO of CottonConnect and will be a keynote speaker at Innovation Forum’s cotton conference in London on 16-17 March.
To GM or not GM?

Genetically modified cotton was developed to help reduce the industry’s increasingly heavy use of pesticides. Most commonly, the Bacillus thuringiensis bacterium, known as Bt, is added to cotton, which then produces a natural insecticide in its tissues that is poisonous to a number of pests but harmless to other forms of life. Bt cotton is not immune to all predatory insects, but its use has cut chemical pesticide use in many cases. Any GM crop of course attracts controversy – and some studies have also concluded that Bt cotton plantations require as much chemical input as non-GM as secondary non-resistant pests have developed, and also suggested that yields of Bt cotton are disappointing.

Whatever the controversies, GM cotton has been popular, accounting for nearly 70% of all cotton by 2011/12.

For cotton-buying businesses and brands, securing a sustainable supply of cotton for myriad products – including cloth, food products such as cooking oil and animal fodder – has become a major concern.

Throughout the 7,000 year history of cotton cultivation, there has been an undercurrent of worker exploitation, which continues. And like many cash crops, environmental damage through overuse of water resources, and chemical fertilisers and pesticides, has also been a major problem. Cotton producers vary enormously in size and scale, from vast highly industrialised facilities in more developed economies, to small scale family farmers in the developing south.

A billion livelihoods

Within agricultural systems, cotton is a key cash crop. It is the most important raw material for the textile industry, and the route from farm to finished garment involves a huge and complex supply chain of processors, traders and transporters.

Cotton expert Simon Ferrigno points out, in An Insider’s Guide to Cotton and Sustainability, that cotton is a truly global commodity, grown in around 80 countries on around 33m hectares – which is equivalent to around 2.5% of global arable land. For those that like such comparisons, this area is similar to that of Switzerland and Great Britain combined. The cotton grown each year across the globe is sufficient to make all of us 18 T-shirts each.

For many developing economies, agriculture in general provides the most effective route for economic advancement – and a starting point for wider growth. Occupying 40% of the planet’s land area and taking up 70% of freshwater resources, clearly agriculture is critical.

Up to 100 million farmers grow cotton, and there are 250 million more workers in the wider cotton processing industry. In terms of the total number of people that derive their livelihoods from the fibre, it may be up to a billion.

Small-scale suppliers

Around 90% of the 100 million cotton farmers are in developing countries and grow the crop on less than two hectares. For them, though, cotton provides a crucial link with the global economy, which can be a positive and negative thing, with all the volatility in price that this inevitably brings.

While cotton can be a difficult crop to grow successfully, with high demands on labour where mechanisation is limited, farmers want to cultivate it as it can provide cash that in turn can be invested in the food crops that are typically grown alongside the cotton, securing the viability of the farm and the farmers’ food supply.

Cotton does have some rather particular requirements for successful cultivation. Long frost-free periods are required – in tropical regions cotton can grow all year as a perennial plant – and plenty of sunshine. Crucially, cotton needs a minimum of 600 mm of water per year to grow successfully, whether from natural rainfall or combined with irrigation. The young plants prefer moist conditions at certain stages of the growing process, so careful crop management is important for yield.

Supply chains

Sustainable cotton solutions for bottom line benefit

Developing a sustainable cotton supply chain is a real challenge, but there are NGOs and certification schemes that can help, says Ian Welsh

For cotton-buying businesses and brands, securing a sustainable supply of cotton for myriad products – including cloth, food products such as cooking oil and animal fodder – has become a major concern.

For many developing economies, agriculture provides the most effective route for economic advancement.
While cotton can be relatively drought tolerant – meaning that it is grown in some semi-arid zones with irrigation – water misuse has become closely associated with cotton supply chains. The most striking example is in central Asia where the drive to increase cotton production in Uzbekistan has been blamed as a major causal factor in the poisoning of and then ultimate effective disappearance of the Aral Sea – once the fourth largest lake in the world.

Pollution and forced labour
Following independence, and the breakup of the Soviet Union in the early 1990s, the Uzbek government pursued a policy of expanding the country’s cotton industry, developing a massive – if wasteful – irrigation system that diverted waters destined for the Aral Sea.

Vast monoculture farms growing only cotton were established, with huge amounts of chemical fertilisers and pesticides required to boost the depleted soils. The run-off from these fields exacerbated pollution problems in the Aral Sea, increasing toxicity in an increasingly saline and declining body of water. Many health problems have developed, not least from toxic dust storms.

Similar, if less dramatic, environmental impacts of cotton cultivation can be found across the planet.

In terms of social impacts, the Uzbek cotton industry has also been the subject of close, and necessary, scrutiny. Responsible Sourcing Network estimates that one million citizens are forced to work in Uzbekistan’s cotton fields each year. The government closes schools and public offices, sometimes for months at a time, effectively coercing young people, teachers and civil servants into labouring in the cotton fields to gather the harvest for very low wages.

The uncovering of such poor labour practices in Uzbekistan and other cotton-growing regions has in turn prompted international brands to seek to eliminate “slave cotton” from their supply chains. Traceability of supply has become vital for brand risk management – not an easy task as the international cotton sourcing system had historically bundled together fibres from around the world as it passes through the mills, traders and buyers.

As a first step, many companies have undertaken not to source from Uzbekistan and to work to force the Uzbek government to cease forced labour practices. Over 160 have signed up to Responsible Sourcing Network’s Cotton Pledge, including big international brands such as Adidas, Nike, Marks & Spencer, Ikea, Wal-Mart and Tesco.

It’s through such initiatives – and through the work of certifying schemes (see box) and bodies such as Cotton Connect – that more sustainable cotton is becoming part of mainstream fibre markets. But while the direction of travel is becoming established, there remains a lot of work to do.

Certification clarification
While cotton supply chains are coming under increasing scrutiny, brands are looking to certification and verification schemes and marks to help ensure sustainability of supply. Fairtrade and/or organic cotton have become sought after commodities for top-end brands, which market their products to increasingly engaged consumers. Securing sufficient certified cotton of the right quality is a challenge.

Other schemes that can have impact at larger scale include Cotton made in Africa and Better Cotton.

Set up by the Aid by Trade Foundation, Cotton made in Africa works on the principle of social business – in other words aid through trade – helping to improve the live conditions for African cotton farmers. The initiative has developed a network of international buyers committed to purchasing sustainably produced cotton and using this in their products. The farmers are trained in modern, efficient growing methods, and how to use the minimum amount of pesticides. Rain fed cultivation and crop rotation is encouraged. Cotton made in Africa works in close cooperation with organic cotton organisations, to increase the sales of sustainably grown cotton.

Better Cotton was established by the Better Cotton Initiative in 2009, and seeks to counter the threats to cotton supply from environmental and social risks by bringing to the mainstream cotton industry more careful chemical use, labour standards and sensitive production techniques. Brands such as H&M, Levi Strauss, Tommy Hilfiger and John Lewis are participants in the scheme, which has proved a success. In a 2013 report – The Cotton Conundrum – Forum for the Future records that in 2011, 35,000 Better Cotton farmers used 40% less pesticides and 20% less water than their conventional competitors, while at the same time increasing productivity and profits (the latter by 35%).

Cotton Connect works to link all stages of cotton supply chains, from the farmer to finished products, creating the transparency of supply that business and brands increasingly require. The organisation aims to enable retailers to transform the scale of sustainable cotton sourcing, while developing commercial success at each stage of the supply chain. High environmental and social standards are encouraged at every level. Cotton Connect works with partner brands and NGOs on many different projects, including helping them to implement Better Cotton Initiative programmes.
New research has found that schools, hospitals, the police and other public-sector organisations in Uzbekistan are obliged to provide between 30-60% of their personnel to assist with the annual cotton harvest. According to a recent report by the non-profit Uzbek-German Forum, the quota can reach up to 80% of staff in some cases.

People forced to pick cotton receive nominal payment, usually between 200-250 soum (around £0.05-£0.07) per kilogramme of cotton harvested). Average harvesting quotas for individuals range between 60-80kg per day. Refusal to consent can result in penalties such as loss of social benefits payments, loss of employment, administrative harassment and even criminal prosecution.

The policy of forcibly recruiting adult workers in Uzbekistan’s cotton industry, which is reportedly widespread across all regions of the country, dates back to 1991. However, there was a marked increase in the number of adults recruited in 2014. Previously, public-sector organisations were only required to send 16% of their staff.

One of the reasons suggested for the increase is a move by the Uzbek government to reduce the mobilisation of children during harvest time. Even so, the report’s authors suggest instances of child labour remains rife. The report documents state-sponsored forced mobilisation of school-aged children (mostly between 13 and 15 years old) in the regions of Kashkadarya, Jizzakh, and Samarkand.

The Uzbek-German Forum’s investigation is substantiated by previous research by Human Rights Watch, as well as other human rights groups. And the Cotton Campaign reports similar concerns about state-enforced labour during the cotton harvest in neighbouring Turkmenistan as well.

Organically grown cotton has less than half (46%) the global warming potential of conventionally produced cotton, the first ever lifecycle analysis of organic cotton finds. According to the research, which was carried out by the Textile Exchange, a membership-based non-profit, the greenhouse gases emitted from the production of 1,000kg organic cotton is, on average, 978kg of carbon dioxide equivalent. Conventional cotton is estimated to have almost twice the impact, at 1,800kg CO₂ per 1,000kg.

Field emissions (gases emitted from soils as a result of agricultural activity) comprise around half the total. The remainder relate primarily to fossil fuel use in the ginning process (18%) and machinery use (16%).

In terms of primary energy demand, meanwhile, the growing, harvesting and initial processing of organic cotton uses an average of around 5,800 megajoules per tonne of product. That makes it about two-thirds (62%) less energy-intensive as its conventionally produced counterpart. The most significant difference is for water consumption.

Organic cotton requires almost half (a reduction of 91%) of the volume of “blue” water (surface water and ground water) as the standard industry average. The vast majority (95%) of water used in the production of organic cotton fibre is “green” water, which is rainwater and moisture stored in soil and used for plant growth. Almost all of this (97%) is employed in irrigation.
The All Pakistan Textile Mills Association (APTMA) recently agreed to work with the Better Cotton Initiative to promote improved sustainability standards in the country’s cotton industry. The pledge will see the APTMA commit to prioritise efficient water use, natural habitat conservation and farmer training in the 396 mills that it represents.

Pakistan is the world’s fourth-largest cotton producer and it has the third-largest spinning capacity in Asia, after China and India. The Better Cotton Initiative counts 46,500 participating farmers in Pakistan. According to a 2013 study, these farmers are 42% more profitable and use 14% less water than farmers not participating in the initiative.

The Better Cotton Initiative promotes a “holistic” set of standards that cover environmental, social and economic concerns associated with cotton production. As well as Pakistan, it works with participating producers in nine other countries: Brazil, India, Mali, China, Mozambique, Tajikistan, Turkey and - as of 2014 - Senegal and Kenya. Of its 361 partner organisations, 294 are cotton supplier or manufacturers. Its members also include 31 retail brands, among which are H&M, Nike, Tommy Hilfiger and Levi Strauss.

Brands buying cotton from Uzbekistan should stop immediately, recommencing only when the International Labour Organisation has verified that forced labour during the cotton harvest has ended, the Walk Free Foundation states. The Australia-based campaign organisation places the Eurasian state second from bottom in its annual Global Slavery Index. The index highlights the use of coercive labour during the cotton harvest, which allegedly affects up to 1.2 million people (equivalent to around 4% of the population). The only country ranked below Uzbekistan in the index is Mauritania.

Uzbekistan produces an estimated 7% of global cotton and generates revenues of around $1.8bn from the crop. Its main export markets are China, Turkey, Russia, the European Union and Bangladesh. According to a list compiled by the Responsible Sourcing Network, a US-based non-profit, 164 brands now publicly pledge not to buy cotton originating in Uzbekistan. The list, which was last updated in October 2014, includes the likes of Adidas, Burberry, Eileen Fisher, Gucci, Wal-Mart, Zara and H&M.

Global cotton production will exceed demand for the fifth consecutive season in 2015 is forecast to produce 30.5m bales during the 2014/15 season.

Another key factor credited for the supply-demand imbalance is declining demand in China. As a result, USDA predicts that US cotton exports for 2014/15 are expected to slump to their lowest level since 2001.

The USDA forecasts the total area devoted to cotton production at nearly 34.3m hectares in 2014/15. This is similar to the 2012/13 harvest. However, yields are forecast at 759kg per hectare, which is the lowest in five seasons.

Global supply glut

Cotton stockpiles are expected to continue swelling in 2015 as global production is predicted to continue outstripping demand. Recent figures from the US government indicate that global production will exceed demand for the fifth consecutive season, boosting inventories to an all-time high of 107.4m bales (each weighing 218kg).

The supply glut is exacerbated by a gradual increase in cotton output in India, which is projected to produce at 31m bales in 2014/15, according to the US Department of Agriculture (USDA). This would make it the world’s largest producer above China, which

Global cotton production will exceed demand for the fifth consecutive season in 2015
Market movers make sustainable cotton mainstream

Ikea’s Pramod Singh explains why more-sustainable cotton needn’t be an expensive niche

What has been Ikea’s relationship with sustainable cotton and how important is it for your business?

Sustainability is very important for Ikea. It is one of our four business pillars. It also reflects our values and the fact that we want to have a positive impact in society.

Beyond that, there is a huge business case for us to work on sustainable cotton. Ikea is a major international consumer of cotton – our customers like cotton products so we want to be able to meet that demand in a sustainable way.

Developing sustainability in our cotton supply chains also helps us guarantee our long-term supply.

How is this relationship changing?

We are working to help drive the industry towards sustainable cotton and bringing sustainability – and transparency – down the supply chain, including farmers and the ginners. We map our supply chains and take into account environmental and social costs.

Increasingly, consumers are also asking where the cotton in the products in our stores comes from and how it is produced. So it’s important that we can reassure them about the lengths we go to.

What proportion of your cotton products are produced with sustainable cotton?

As we published in our recent sustainability report for financial year 2014, 76% of our cotton is from sustainable sources. We have a goal to reach 100% during 2015.

We primarily work using the Better Cotton Initiative (BCI) standards, and BCI partnership programmes such as Cotton Made in Africa and ABR, which is BCI’s Brazilian partner standard.

As we are trying to transform the market, the key thing for us is to try and increase the number of farmers growing sustainable cotton. The process needs to be inclusive and it’s important that standards have an inbuilt element of continuous improvement.

Even for farmers with small landholdings there needs to be a business case for them to engage with such standards. More than 75% of the world’s cotton comes from farmers who cultivate between one and five hectares – these are smallholders, engaging in subsistence agriculture who can’t afford to make mistakes, and who are also in a good position to take advantage of a more sustainable approach.

What are the principal challenges in developing a sustainable cotton supply chain?

For Ikea, changing the business behaviour of many of our supply chain partners has been challenging at times. A major reason for this is that despite rapid increases, the market volume for sustainable cotton has always been small – and is likely to remain so for some time.

And if sustainable cotton is only grown in some parts of the world, then this impacts the continuity of supply – having cotton available at all times of the year in all geographies becomes tricky.

We also need to focus on traceability. We must have certainty about the cotton we’re using. But there is an inevitable trade-off between achieving this and the costs involved. Getting the balance right is a major challenge.

Internally we need to align within our own organisation. Inevitably, people have particular ways of working and when you bring sustainable materials into product lines there needs to be change.

But the rules of business have to apply. We are trying to challenge the perception that sustainable materials have to be more expensive. If it is sustainable it does not necessarily mean that it has to be higher cost. A few years ago, typically there would be a 15% price difference between conventional cotton and that produced under the BCI standards. Now it is either no price difference or if there is one it is less than 0.5% – the result of up-scaling and creating more volume of sustainable cotton supply.

Drawing on your work with WWF, and other partners, what are the necessary elements for a successful partnership?

One of the key things for developing
any partnership is to remember that it is precisely that: a partnership, and not a one-way relationship.

Successful partners need to find common ground for working together. In the case of Ikea and WWF, this part of the process was straightforward. We found we had a lot in common with WWF, particularly around issues such as the opportunity to improve water use standards and address environmental impacts in cotton farming.

The real benefit comes from identifying and utilising the knowledge and strength of both partners, and challenging each other as well.

What do you find is the most successful approach when engaging farmers?

Communication is so important when working with farmers that have small landholdings. Take the issues of water and chemicals use. These are matters where it is essential that you communicate with the farmers in a language they can understand – both literally in terms of dialect (for example) and figuratively in terms of their own farm.

You need to be able to relate to their business. You need to show how growing cotton more sustainably will improve their livelihoods.

Bringing out the right elements for them is so important. You need to create that business case for the farmers, and demonstrate this to them. Don’t forget: if their crop fails to make the right return, then their farm fails.

Do they see the local benefits?

We thought that it would be hard to persuade the farmers to consider switching to more sustainable practices, but in fact they make brave decisions based on the hope of better margin, with lower costs.

Our local partners are the key here, bringing the farmers with them. Farmers can see the immediate benefits from a more sustainable approach in terms of better margin and lower costs. But they also see that they using less water, for example, has other wider benefits – the local water supply may be viable for longer periods of the year, for example.

The proof of the success of this approach is to look at the number of farmers adopting these measures. Despite this being a new direction for them, they are making the changes, taking the plunge and reaping the benefits.

How do you then ensure there is a market for this cotton?

Certainly there is a responsibility from our side, from the retailers, to complete the loop, and ensure there is a market for the sustainable cotton and that the number farmers participating are growing.

What we are trying to do is to change the market overall. Having a premium price for sustainable cotton is, we believe, a short-term solution. The long-term solution is to operate in the main market and develop the overall use of sustainable cotton in the same market as conventional cotton.

A differentiated market price is very sensitive to an economic downturn – cotton buyers, and the eventual consumers of cotton products will be less prepared to pay a differentiated price.

So we want to change the supply at the farmer level and show them that they can reduce costs producing sustainable cotton, and make more profit when selling at the same price as conventional cotton.

Finally, how have you engaged with your customers about why sustainability matters?

Ikea is a low-cost product company and we believe that sustainability should not be a luxury few can afford. That’s why we offer our customers products made from sustainable cotton at the same price as conventional – and in the process help to change the market.

We know this matters to our customers too so we make sure we communicate our work on more sustainable cotton in our stores, on our website and in other places. But we will do even more over the coming years – sharing the stories around how their cotton products are made and how it is changing the lives of the farmers. After all, this is a positive movement our customers are very much part of and we couldn’t do it without them.
With cotton prices set to fall as China slowly releases stock, and production outstripping demand, 2015 is set to be a challenging year for cotton and cotton farmers. And that's before considering the growing pressures to address sustainability and social problems.

The situation is complicated by the rapid rise in the number of cotton standards competing for the attention of buyers, as well as sustainability claims made by cotton from certain origins such as the US and Australia, where growers argue that high regulatory standards mean chemical and water use is lower than elsewhere.

Current global cotton production for the 2014/15 season is projected at 26.1m tonnes, a slight decline on 26.3m in the previous season. Consumption this year looks likely to be around 24m tonnes. Cotton produced to one of the growing number of sustainability standards only accounted for 1.2m tonnes or so of production in 2012/13, around 4.5% of the total. While growth is expected in some standards during the 2014/15 period, the percentage remains low.

Cotton is a minefield for brands and retailers, who are often just one child labourer, clear-cut Ethiopian Savannah or Rana Plaza collapse story away from negative attention. While it is unclear how much impact negative press can have – and it is surely greater for brands making public claims about massive shifts to sustainability – it is never good.

The first need is to understand the real problems. There are many claims out there. The most notorious is that cotton uses 25% of the world’s insecticides. It doesn’t and never did – only reaching use of 22.5% of pesticides by sales in 1990 against 14.1% in 2009.

Similarly, there is a notorious myth that cotton is one of the world’s thirstiest crops. It isn’t – cotton is quite drought tolerant (though water is a problem in some production regions).

Debunking the claims does not mean there are no problems, but does show what a tricky path there is to tread between competing agendas and misinformation. It is even more complicated in that problems in cotton may be highly local to particular production regions.

So brands can decide to let someone else do the problem solving – ie join an organisation, standard or platform, which is risky as these will have agendas of their own – or go into full-blown responsible corporate citizen mode, map their supply chain, and act on what they are directly responsible for.

However, relying on promoting bodies or the possession of a certificate may be insufficient. It may not meet requirements for information or it may turn out that there is a problem behind the certification.

Some systems rely on a mass balance approach, whereby support for production does not mean this product ends in the supply chain. A mass balance trading model means that a certain amount of certified or verified product is registered at the entry to a supply chain, and balanced against a certain volume of product leaving the chain (even though the product may not be the same as there is no segregation).

Information that is required about footprint impacts may not be there, entailing more costs for brands who want serious detail. Or, as in a recent case in Ethiopia, certified production may be linked to land grabs and other problems.

Essential traceability

Knowledge is power. Whichever way a buyer goes, they should not rely alone on documentation from a certifier or information from a promoter. Traceability is essential, along with due diligence to ensure claims are real, backed by facts that show the cotton comes from where it says, and is produced as claimed. It is difficult and time consuming but there are many systems that now allow reconciliation of information online by...
database and document checks, which can save money elsewhere. Check Organic and MyString are two good examples.

Going this extra mile can also help with supply constraints as buyers get the opportunity to build relationships with suppliers and cotton farmers. While there is at present a stay of execution in rising resource competition – a growing and wealthier world population, exacerbated by price and market volatility and competition for land use by food and fuels following the global financial crisis – this will not last. It is knowledge of and trust in suppliers that will help guarantee supply. This is in fact a core driver of sustainability investments for some brands and retailers.

However, many brands that are less committed to sustainability may prefer to move into non-cotton and unnatural fibres. Being sustainable can mean extra costs, and for the low priced, fast fashion segments of the market, cotton may prove difficult.

**Real risks**
Cotton has reputational and real risks. There are issues with water pollution and over-irrigation, pesticides, falling soil fertility, labour, child labour, and GMOs.

The latter may not be the evil seed many claim, but with some two-thirds of global cotton being genetically modified, a campaign (and thus consumer) backlash remains possible. There are concerns over the long term impacts of GM crops on seed diversity, ecological balance (as pest resistance rises or pest populations change in response to GM seeds) and super weeds, all of which could become ever-growing problems.

Labour is another cause for concern, with several cotton growing countries on the US list of risk countries for child labour – it is not just Uzbekistan. There are further concerns over forced and bonded labour, low wages, migrants and gender (ie women may make up a significant proportion of temporary and seasonal labour).

The challenges do not end there, with concerns globally over water use and carbon emissions, and the likelihood that retailers will be expected to report on these in future.

Meanwhile, even as overall cotton production has increased, its market share continues to decline under pressure from polyester and other synthetic fibres, the bête noire of the cotton industry, many of which now come with their own sustainable options.

The cotton sector itself is rife with market manipulation as governments try to protect what is often seen as an essential industry, whether it be subsidies (some half of global production is subsidised), interventions such as export bans, or building cotton stockpiles to artificially inflate prices.

**Impact pricing**
What is needed is a way to reflect the impact of cotton.

McKinsey put a price on the negative external costs of cotton in 2011, which would add $7,266 per tonne to the price of cotton, mostly because of greenhouse gas and water impacts. At early 2015 prices, cotton was worth only $1,476 per tonne, so the increase would be substantial if these negative impacts were taken into account.

It is not beyond the wit, but probably is of the will, of the international community to replace national protection measures with tariffs on cotton produced using different methods to encourage less damaging production by making sustainable cottons cheaper rather than more expensive.

On such grounds, organic and fair trade cotton would likely become the cheapest rather than the most expensive cotton options. Now there is a problem for fine minds to ponder.
How long has Lindex been working with sustainable cotton?

Lindex started looking at how to work with sustainable cotton around 10 years ago. When we reviewed the various standards and options, we determined that the natural choice for us at that time was to buy organic cotton items.

So our initial approach to working with sustainable cotton was to buy organic cotton garments, including GOTS (Global Organic Textile Standard) certified garments. The price difference between organic cotton and GOTS certified garments and conventional cotton was higher than it is now.

We began to buy organic cotton for the products that we thought would be the most valuable to the customer – everyday basics, children's basics and babywear. Our first internal goal seven years ago was to buy one million organic cotton items, which we had achieved by the end of 2009.

Is there a customer demand leading this?

Sustainable cotton is very important to our business for many reasons. Our customers' awareness about these issues and demand for sustainable products is very high. This is particularly the case for product categories such as baby wear, where almost 100% of our garments are made from sustainable fibres, and most of these from cotton.

Also, in the light of social concerns such as the debate about Ethiopian cotton connected to land grabbing and also forced labour in Uzbek cotton, for Lindex it is increasingly important to understand where the cotton in our garments comes from. Our goal is to buy 100% of our cotton from sustainable sources that give us transparency and traceability by 2020.

What proportion of your products are currently produced with sustainable cotton?

Of all garments that Lindex bought in 2014, 22% were made of sustainable fibres, and out of that approximately 90% is sustainable cotton. There is still some uncertainty around the cotton in blended garments, thus we cannot report the exact figure of sustainable cotton.

For 2015 our goal is to buy 25% sustainable fibres in total, and for 2020 the goal is 80%. However, for cotton the specific goal is to have a 100% cotton from sustainable sources by 2020.

What are the challenges in developing a sustainable cotton supply chain?

How has Lindex addressed these?

Lindex has chosen to work with certifying organisations such as GOTS and initiatives such as the Better Cotton Initiative.

When it comes to GOTS, we have chosen a few factories in each production market to work with that are GOTS certified. Our plan is to work with more factories and help them become certified by GOTS as our order volume grows.

The challenge for us has been to choose the right certifying organisations that are credible and where we can trust the certificates, systems and routines. Lindex does not have its own in-house auditors/controllers in its supply chain so we rely on others to ensure the sustainability of our products.

What makes a partnership work?

How have you engaged with your customers in developing their understanding of why sustainability matters?

We communicate with our customers on the product itself via hangtags and labels, and have more product information online.

As sustainability is a part of Lindex's daily business, our aim is to integrate sustainability in everything we do, so we tend not to have one off sustainability campaigns as such. We also use social media to explain what we are doing and to interact with our customers. The response is very positive and we see a rising demand for sustainable garments.
What trends are you seeing in terms of human rights and abuses and environmental impacts from cotton supply?

Something that’s developing right now is that companies are starting to reject cotton from high risk areas such as the Omo Valley in Ethiopia where there is a history of land grabs – H&M recently joined Tchibo in making such a commitment. To fulfil on this undertaking, for their cotton sourcing from Ethiopia both companies will only use cotton affiliated with the Cotton Made in Africa (CMiA) project.

The human rights activists with concerns about Uzbek cotton still being harvested with forced labour have kept up the drum beat. Also, the US labour department just added India to its cotton list for goods produced with forced or child labour bringing the total number of countries on the cotton and cottonseed list to 19.

Civil society organisations (CSOs) focused on climate change have highlighted the desertification of land where cotton is grown in China. And the draining of the Aral Sea in central Asia to meet the needs of cotton production is featured in a recent television series, Earth: A New Wild, on the US public station PBS.

With all of that said, sustainable cotton initiatives such as the Better Cotton Initiative (BCI), CMiA, Cleaner Cotton, and Fairtrade Cotton have all received increased attention and investment in the last few years.

Are corporate and brand buyers still relatively ignorant about these abuses and the potential risks – beyond continuity of supply – to their corporate reputation?

As the previous examples show, CSOs and media have done a good job of drawing attention to challenges with the world’s cotton supply.

Although domestic products and apparel brands may want to ignore current challenges in the cotton industry, they will only be harming themselves if they pretend the abuses don’t exist. Responsible Sourcing Network (RSN) just released a 2015 addendum to our 2014 Cotton Sourcing Snapshot: A Survey of Corporate Practices to End Forced Labor, the research on 49 brands showed just over 18% of those surveyed are auditing (through self-audits or third party audits) their spinners and/or mills to ensure they are adhering to their codes of conduct or other policies.

Brands are beginning to develop some exciting supply chain initiatives, part of a growing trend towards more sustainable cotton, says Patricia Jurewicz

Brand action

Brands will only be harming themselves if they pretend human rights abuses don’t exist

What is meant by “sustainable” sources in this context?

This is a mix of organic, fair trade or recycled cotton, or fibre from programmes such as BCI or CMiA. Most of these programmes work directly with farmers to control both environmental and social impacts.

In addition to participating in programmes that connect the brand directly to the farmer, leading brands are integrating more accountability mechanisms throughout their supply chains. In RSN’s report, Cotton Sourcing Snapshot: A Survey of Corporate Practices to End Forced Labor, the research on 49 brands showed just over 18% of those surveyed are auditing (through self-audits or third party audits) their spinners and/or mills to ensure they are adhering to their codes of conduct or other policies.

Auditing deeper into the supply chain is a trend that is starting to appear. This approach likely is motivated by potential risks as well as the opportunity to have
full transparency and accountability from factory to farm.

If a brand buyer wants to eliminate risk from the company’s cotton supply chain, what are the key steps to take? There are a number of key things that companies can do.

• Be aware of where the risks are in your cotton supply chain. A good guide on knowing where to look and how to identify human rights risks is the RSN report, To the Spinner: Forging a Chain to Responsible Cotton Sourcing.

• Ask your yarn and textile suppliers for the countries of origin of the cotton they are using.

• Have a public policy, or, when available, sign industry-wide pledges and commitments, against forced labour, child labour, and destructive environmental impacts in cotton sourcing.

• Create a system to communicate, require adherence, and hold your suppliers accountable to the policy.

• Spot check your suppliers periodically to see if they are abiding by the policy.

• Participate in efforts that support the ethical and sustainable growing and harvesting of cotton, and drive transparency and accountability throughout the entire supply chain.

On the flip side, what are the classic errors that you see brands making? Brands don't always follow up with the level of due diligence needed to guarantee they are addressing all the risks in their supply chains from manufacturing to the farm. For example, a brand may have a code of conduct but the code does not apply to the yarn spinner or farmer. If it does apply to spinners and farmers, there may not be a required audit to ensure they are abiding by the code. So having a code is not enough. There must be an accountability system established to guarantee adherence to the code.

Brands should not just survey their suppliers and believe whatever information the supplier provides. Cross-checking of information, call-outs of inconsistencies, follow-up for more detailed information, proof of transactions, spot-checks, and other forms of due diligence need to be implemented within a supply chain.

For brands engaging with initiatives such as the Cotton Pledge, what are the big benefits they'll see? Benefits to brands include being part of a global effort to end forced labour in the cotton sector of Uzbekistan, having access to materials on how to identify and address risk in their supply chains, having the opportunity to influence the steps the ILO is taking to shift the Uzbek government away from its abusive practices, and receiving up-to-date information on Uzbek harvest activities.

Companies are beginning to do some exciting things in sustainable cotton. What’s caught your eye as a guide to future trends?

The brands that are implementing the most innovation in their cotton supply chains are the same ones that scored highest in the Cotton Sourcing Snapshot survey: Adidas, Marks & Spencer, Ikea and Patagonia.

In addition, two companies that recently improved their snapshot scores are Hanesbrands and Kering. Since Hanesbrands owns its textile mills, it has visibility and control over its cotton sourcing. Kering is rolling out its environmental profit and loss (E P&L) account throughout all 18 of its brands, which will give it more transparency to all of its raw material sourcing.

C&A Foundation has funded a feasibility study for RSN’s new effort to promote more accountability with spinners and mills, which is currently underway. This initiative is looking to promote an industry-wide verification system with cotton spinning mills to drive the use of ethically-harvested cotton.

Patricia Jurewicz is director of the Responsible Sourcing Network and will be participating in Innovation Forum’s responsible cotton sourcing conference on 16-17 March in London.
3 ways to register

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UPCOMING EVENTS

Sustainable and Ethical Cotton Sourcing
16th-17th March 2015, London

How Business Can Tackle Deforestation
14th-15th April 2015, Washington, DC

The Circular Advantage Strategy Conference
8th-9th June 2015, London

Sugar Sustainability – How to manage risk and profit from sustainability
16th-17th June 2015, London

Measurement and (e)Valuation of Corporate Sustainability – Does it all add up?
29th-30th June 2015, London

If you're interested in any of these events, please do get in touch:
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