

The Business Case for the Production and Use of Sustainable Cotton

examples from West Africa, India and Pakistan

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PART I: INTRODUCTION

Cotton & Sustainability: a public issue

WHITE GOLD **THE TRUE COST OF COTTON**

Uzbekistan, cotton and
the crushing of a nation



**A report by the
Environmental
Justice
Foundation**

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

RSPO
Roundtable on Sustainable Palm Oil

**RSPO Principles and
Criteria for Sustainable
Palm Oil Production**

BCI

better cotton initiative

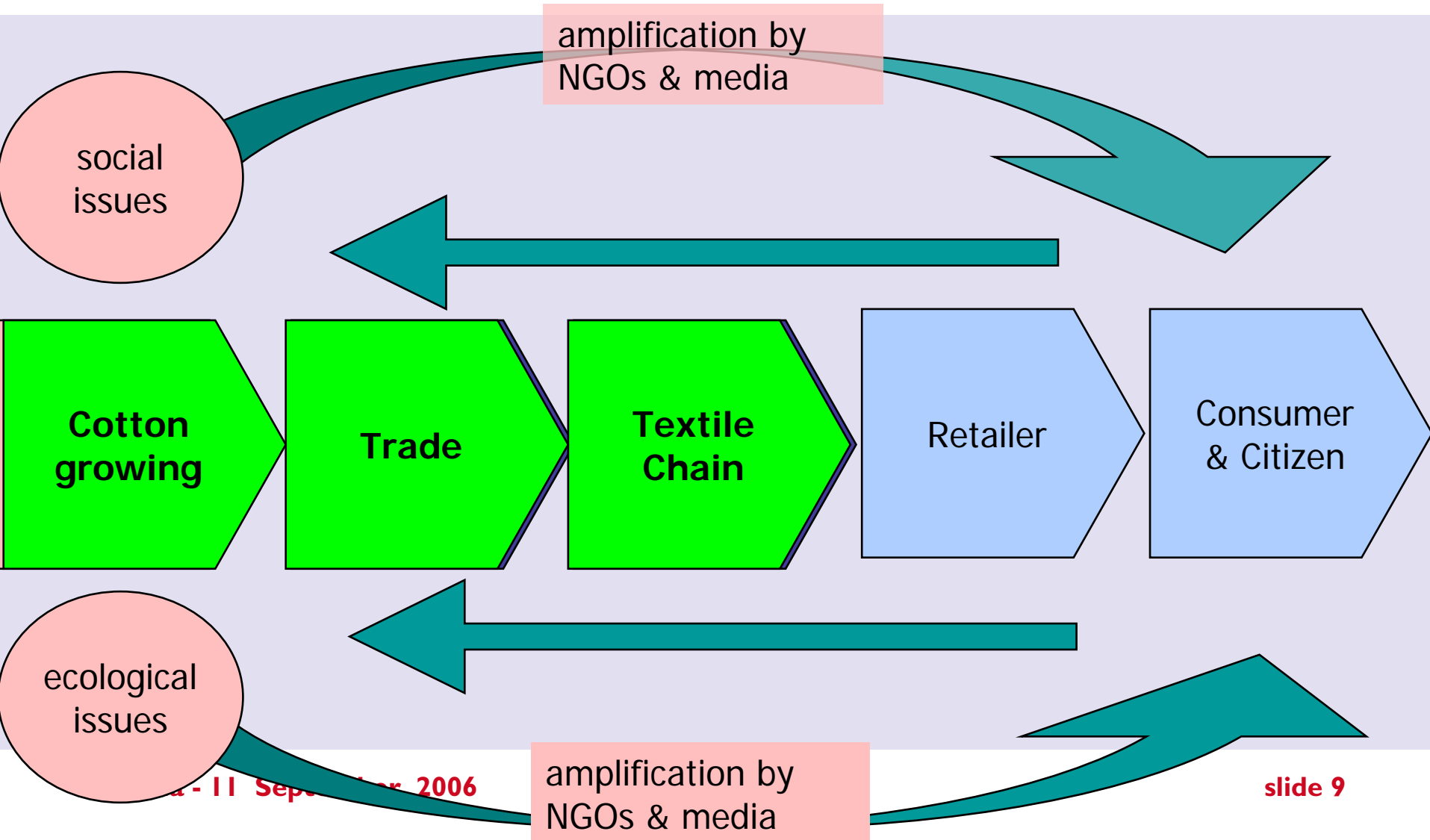
**Principles and
Criteria for Better
Cotton Production**

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PART II: THE BUSINESS CASE FOR SUSTAINABLE COTTON

The Supply Chain Mechanism



EXAMPLE I: COOP/BioRe-Maikaal India

PROJECT	BioRe Organic Cotton Maikaal Madhya Pradesh (India)	Organic Cotton Production partnership in supply chain	
DEMAND		SUPPLY	
RETAILERS	COOP Switzerland (COOP Naturaplan Fonds)	FARMERS	
		Number	about 2000
	area	
Cotton Demand		seed cotton	4200 mt
total	unknown	lint	about 1500 mt
from project	major part of total	BUSINESS CASE FOR FARMER	
Standard	organic standard	purchase guar.	5 year guarantee
Certification	organic certification	premium price	15-20% on market price
BUSINESS CASE FOR RETAILER		yield increase	similar to conventional
quality		less pesticides	substantial
supply security		less fertiliser	substantial
reputation	+++	total improvement	30-40% higher cotton income, 15% margin increase
premium market	++	PARTNERS/FUNDING	
	about 245 million €	?	
http://www.coop.ch/naturaplan-fonds/fairtrade_indien-de.htm			
http://www.biore.ch/indien.html?&L=1		www.organiccotton.fibl.org	

EXAMPLE 2: Cotton Made in Africa

PROJECT	Cotton Made in Africa (Benin)	Economic and Env. improv.	
	part of CMIA Benin, Burkina F., Zambia,	through LEC etc.	
DEMAND		SUPPLY	
RETAILERS	Otto Group Hamburg	FARMERS	from Benin (Atacora province)
	Tom Tailor	Number	about 8000
	area	about 10000 ha
Cotton Demand		seed cotton	about 12500 tons
total	unknown	lint	about 5000 tons
from project	CMIA starting with about 12000 tons lint	BUSINESS CASE FOR FARMER	
Standard	CMIA criteria (dyn.)	purchase guar.	no guarantee
Certification	minimal/basic	premium price	no premium
BUSINESS CASE FOR RETAILER		yield increase	up to 50% by 'LEC' + training
quality	+	less pesticides	not substantial
supply security	+	less fertiliser	no
reputation	+++	other	timely payment, inputs, etc.
premium market	+	PARTNERS/FUNDING	
		GTZ, DEG, Welthungerhilfe, WWF-D,	
www.cottonmadeinafrica.org		Univ. Wageningen	

EXAMPLE 3: WWF Bahawalpur project, Pakistan

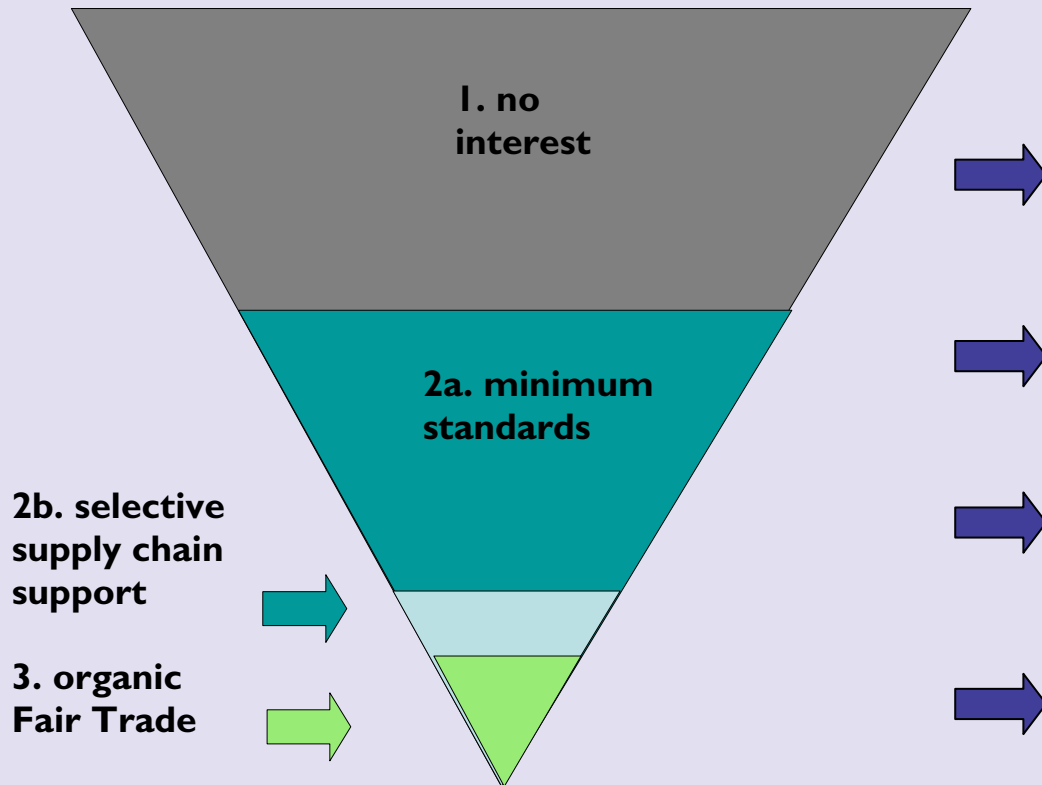
PROJECT	WWF - Ikea Bahawalpur project		implementing BMP through Farmer Field Schools
DEMAND		SUPPLY	
RETAILERS	Ikea as project sponsor	FARMERS	
		Number	2260 (FFS 2005-2009)
		area	
Cotton Demand total		seed cotton	about 7500 mt
		lint	about 2500 mt
from project	not yet	BUSINESS CASE FOR FARMER	
Standard Certification	BMP --> BCI standard not yet	purchase guar.	NO
		premium price	NO
BUSINESS CASE FOR RETAILER		yield increase	?
quality	+	less pesticides	40-60% less
supply security	++	less fertiliser	20-27% less
reputation	++	other	reduced irrigation costs?
premium market	NO	PARTNERS/FUNDING	
		WWF international / CH, IFC, EU	
		Pakistan/Punjab government	

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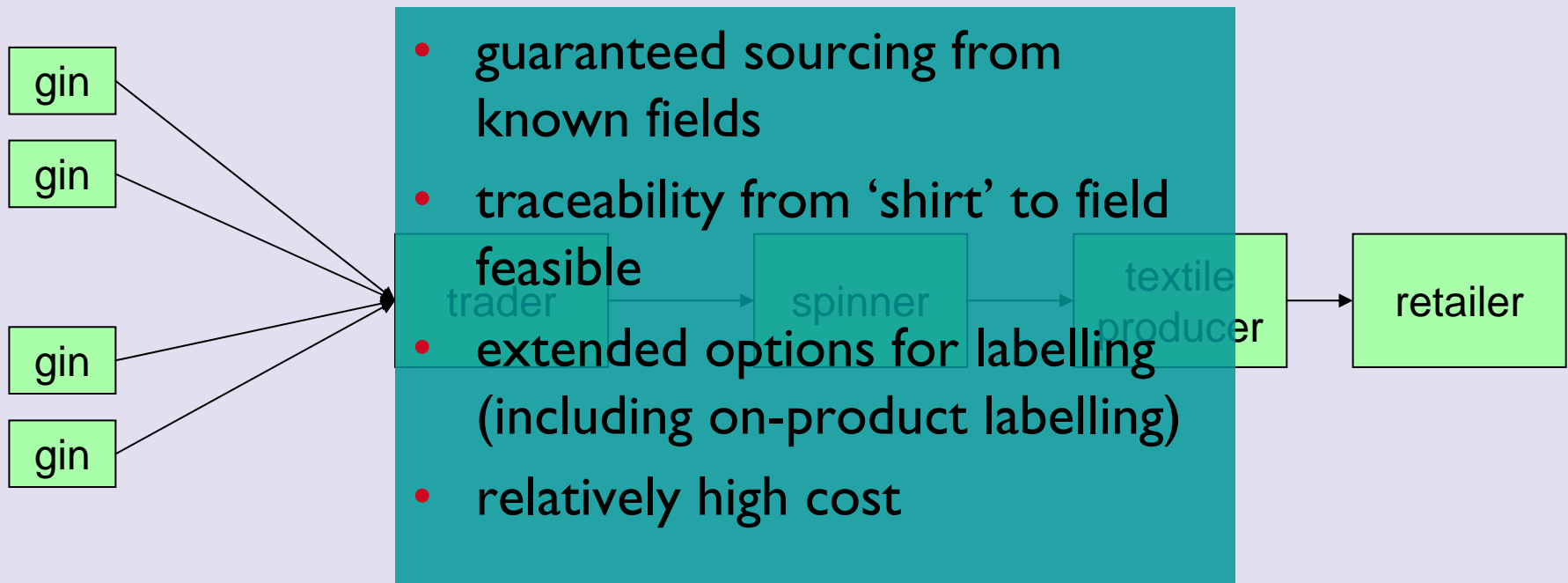
PART III: DIFFERENT RETAILERS – DIFFERENT SUPPLY CHAINS

Four Retailer Segments

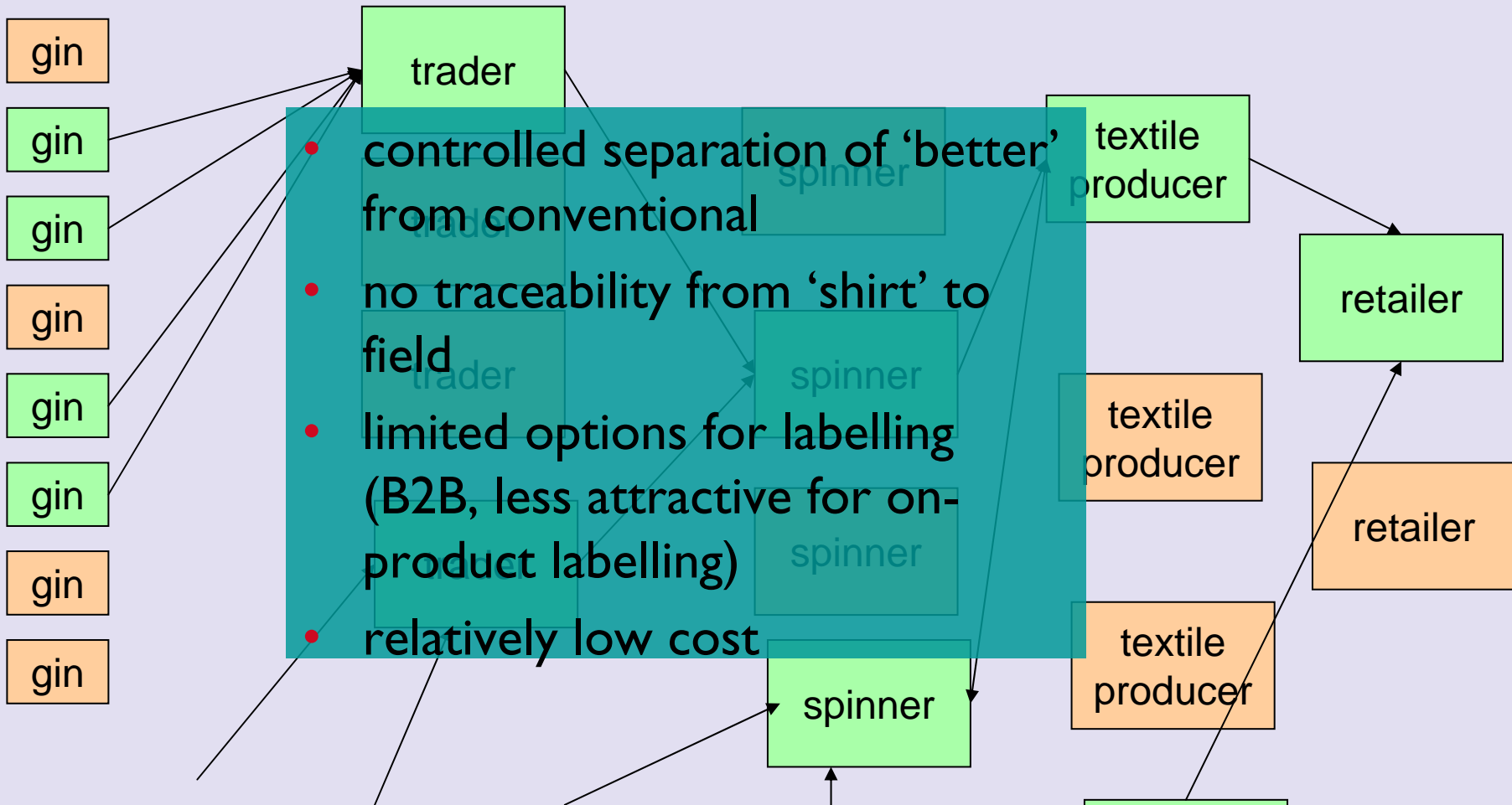


Quality	Risk/Reputation	Consumer Market
Orange	Red	Red
Green	Green	Orange
Green	Green	Orange
Light Green	Light Green	Green

Integrated supply chain



Commodity supply chain



Two Supply Chain Options

	trans- parency type	needed for risk man.	sufficient for niche markets	costs	partner- ships	cotton option
commodity supply chain	separ- ation, no full trace- ability	YES	NO	moderate	industry Better Cotton CMIA	BMP ("better")
integrated supply chain	full trace- ability	NO	YES	high	company - company	organic/fair trade



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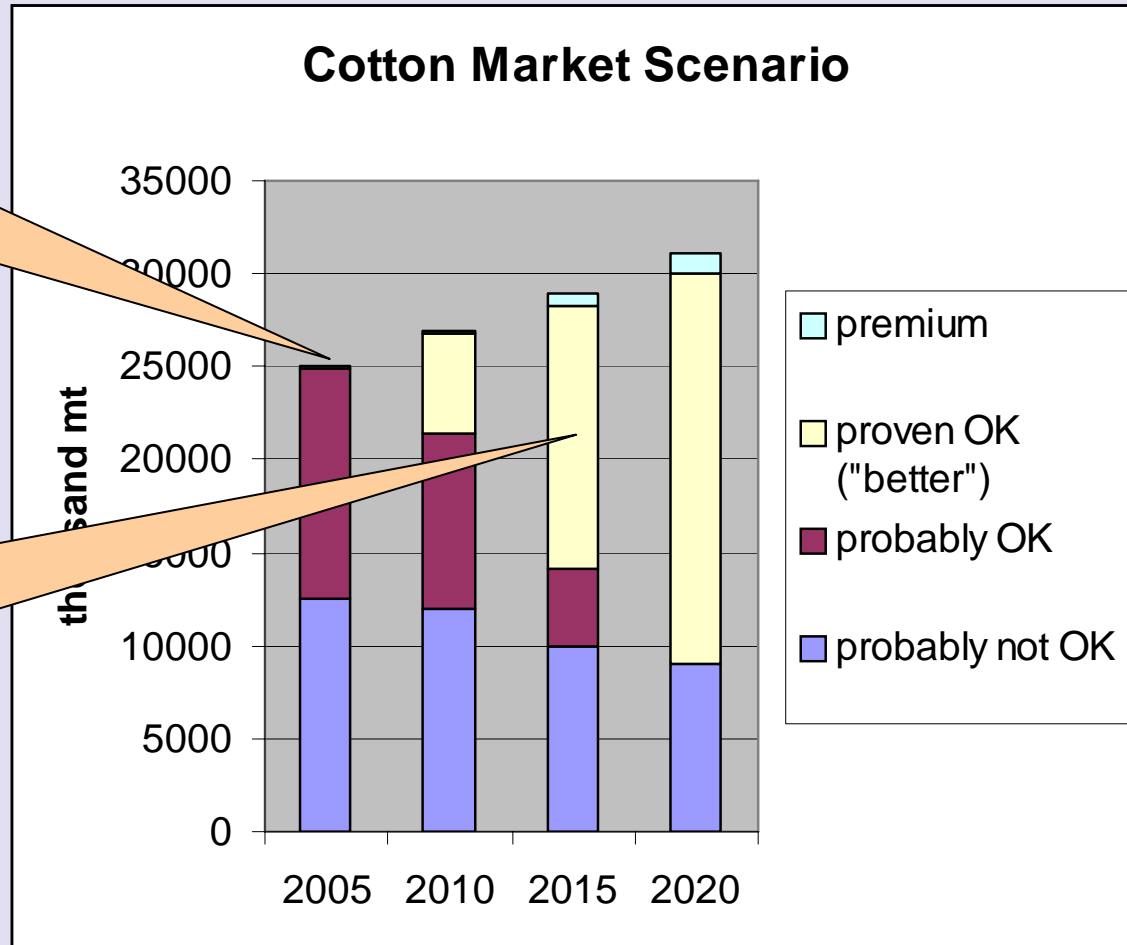
PART IV: CONCLUSIONS

Global Cotton Market Scenario

the emergence of a graded commodity

organic =
<0,2%
rapidly
growing

graded
commodity
market for
"better" cotton



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.

Kloksteeg 33
Leiden

Thank you for your attention

BUSINESS
DEVELOPMENT