



# sustainable cotton production

---

the supply chain as a lever?



# present cotton growth: not sustainable

---

- in many areas, present cotton growth is not sustainable
  - since it gradually destroys the productivity of the soil
  - since it has strongly negative environmental impacts
  - since it does not guarantee long term income to the farmer and a stable social-economic system.



# sustainable cotton growth

---

- sustainability = people, planet, profit
- sustainable cotton growth =
  - stable income for farmers
  - sustainable socio-economic development
  - minimising ecological impacts

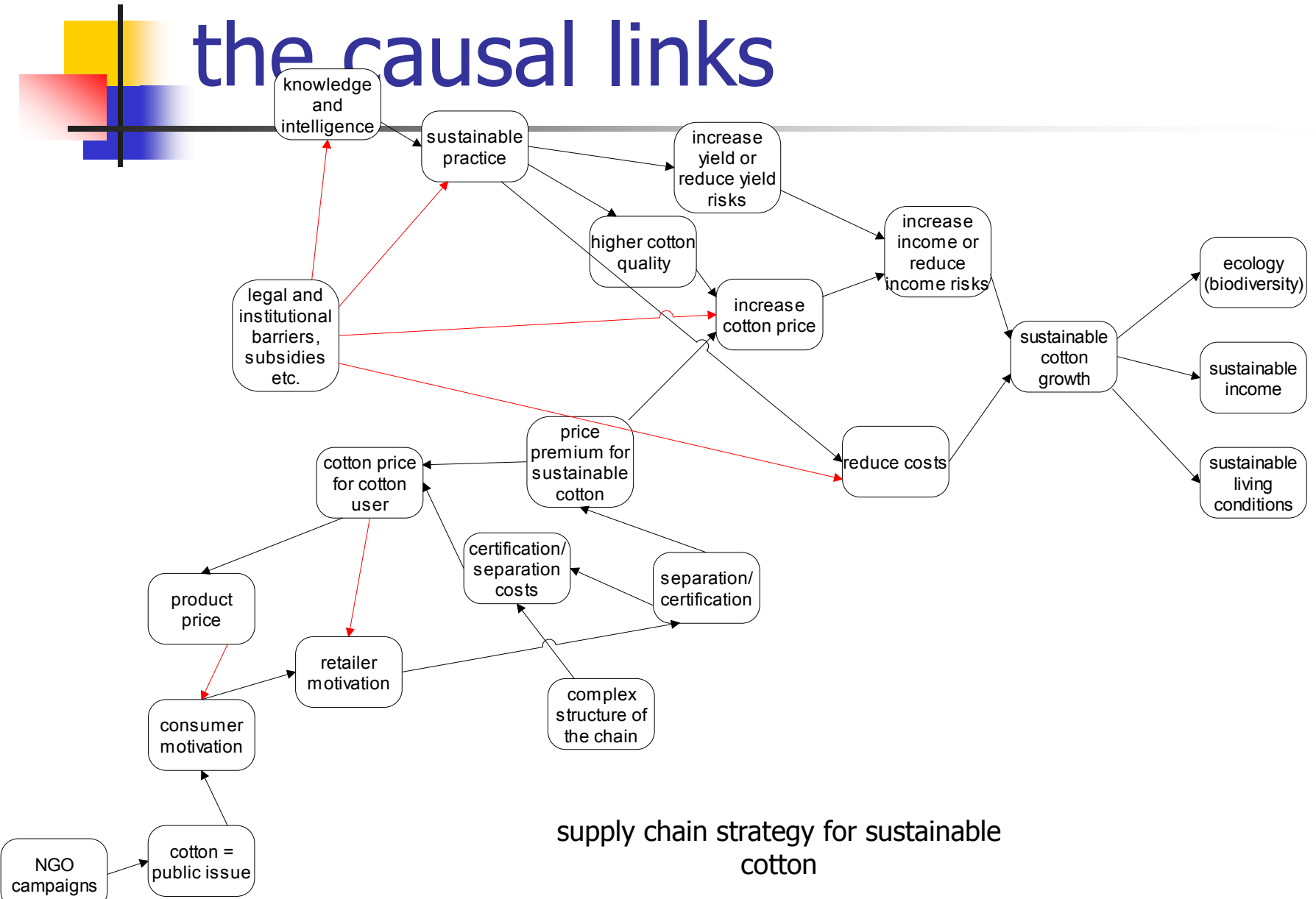


# conditions for sustainable cotton growth

---

- farmers will be motivated for ecologically optimised cotton production
  - if it contributes to cost or risk reduction
    - lower cost of chemicals, water etc.
    - other cost reductions
  - if it contributes to higher income or less income fluctation
    - a higher yield per acre, more stable yield per acre
    - a higher price per ton
      - for a better cotton quality
      - premium price for “ecological”
  - *see next graph*

# the causal links





# supply chain strategy: the assumptions

---

- There is a demand for products from “sustainable” cotton
- The demand for products is translated into demand for materials (yarn, cloth) and into a demand for “sustainable” cotton.
- The demand for sustainable cotton is a lever for the farmer to switch from “conventional” to “sustainable” (organic or some other standard)



# supply chain strategy: the conditions

---

- There is a clear consumer demand
- There is a clear communication throughout the supply chain on sustainability requirements
- There is a mechanism for identification of sustainable cotton, materials and products throughout the chain:
  - either through organising a closed chain of custody from field to underwear
  - or through transforming the commodity market into a market of different sustainability “grades”



# supply chain strategy: is it feasible? Not very feasible!

---

- The textile chain:
  - The present organisation of the textile chain does not allow for (a) effective communication, (b) identity preservation
  - Reorganising the chain makes it possible but is costly:
  - Costs for identity preservation and certification are high and can only be covered by substantially higher consumer prices.
- Retailers:
  - should be the motor for demand of sustainable cotton
  - but there is no motivation whatsoever, apart from some small, symbolic niche projects. Even big, environmentally engaged companies (Otto Versand) lack motivation.
  - They say that they would become more active with a clearer NGO campaign.
- Cotton traders
  - can play a crucial role
  - they are not willing to play this role unless there is a clear added value for the information services they provide.
- Consumers:
  - do not see the problem and are not willing to pay an extra price.

supply chain strategy for sustainable  
cotton



# supply chain strategy: is it sustainable? Not necessarily!

---

- a supply chain strategy produces high costs, but not for improving the environment
  - high costs for separating and certifying
  - from which neither the farmer nor the environment is profiting!
- a supply chain strategy will not work for mass markets
  - it is restricted to niche markets
  - it is good for company image, but does not change cotton growing worldwide
- a supply chain strategy is built on the wrong model of standard setting
  - standards are owned by the demand side: the rich consumers in the West, who impose their standards on the cotton farmers.
  - they should be owned by the supply side



# role of retailers: a different strategy

---

- Is there no role for retailers whatsoever?
  - the supply chain model is not effective and inefficient.
  - retailers, however should participate in (for example) WWF projects on the field level and create transparency:
    - not a transparency for every single jeans
    - but a transparency about the reality at the cotton field.
    - Retailers can communicate about their co-responsibility in creating sustainable cotton growth in specific parts of the world.



# WWF's freshwater & cotton project

---

- WWF's freshwater & cotton project is based on getting together
  - business
  - consumers
  - field level (farmers)
  - policy levels (local, national and international institutions)



# What should WWF focus on?

---

- WWF's focus should be on the cotton field level:
  - working on standards/criteria/projects owned by the cotton growers
  - showing that (more) sustainable cotton growth is feasible and can be profitable.
- In addition, WWF should focus on removing institutional and legal barriers against sustainability:
  - laws, regulations
  - subsidy systems
- WWF should also work actively with the financial sector
  - banks and investors who invest in the cotton sector
  - rating agencies for investment funds
- WWF should engage retailers (and traders) in the field project
  - giving them an opportunity to communicate their engagement in helping cotton growers to find their own way to sustainability.



# conclusions

---

- The supply chain strategy is a dead end.
- Focus on the field level and the institutional and financial context.
- Engage retailers in a different way.