



Event Covered: Better Cotton Initiative Members Meeting held in Istanbul, Turkey from June 8–11, 2015



# The Standards Reporter

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## Better Cotton Initiative 2015 Members' Meeting

This report documents the latest Better Cotton Initiative (BCI) Members' Meeting held in Istanbul from June 9–10, 2015, where 247 delegates representing all parts of the cotton supply chain discussed a broad range of issues focused on moving the sector towards greater sustainability. In a mere five years, BCI has engaged 1.2 million farmers representing 8.7 per cent of global cotton production after the 2014 cotton season. BCI aims to shift the entire cotton sector towards sustainability by engaging 5 million farmers and representing 30 per cent of the global production by 2020. Moving forward, BCI is now concentrating on improving the uptake of BCI cotton throughout the supply chain. To this end, it announced a process currently underway to allow commitment-based sustainability claims on products for its members by the end of 2015, along with the implementation of other measures.

### Members' Meeting Day 1

The BCI Members' Meeting opened with accounts of its progress over the last five years. Marks and Spencer (M&S) detailed efforts to embed sustainable cotton within its business, and farmers discussed their experiences in implementing the BCI Standard. An open discussion with the Pioneer retailer members explored the gap between production and demand. The BCI leadership team hosted a Q&A session allowing members to explore how BCI is attempting to address their concerns.

### Moving with Momentum

Patrick Laine, CEO of BCI, reflected on their growth and results to date. In 2013 BCI farmers were more profitable than farmers not yet using BCI techniques within the same region. They experienced increased yields, reduced inputs (water, pesticides and synthetic fertilizers) and greater organic fertilizer application. BCI benefitted greatly from the Better Cotton Fast Track Program, headed by the Sustainable Trade Initiative (IDH), which supported the adoption of the BCI program by farmers in India, Pakistan, China, Mali and Mozambique. Despite the growth in BCI cotton production (to 905,000 MT in total production), the uptake by

retailers was 13 per cent (117,000 MT) in 2013 and 2014, precipitating BCI's focus on increasing demand. A strategy to boost demand is being implemented to meet BCI's targets of reaching 5 million farmers and 30 per cent of the global cotton production by 2020. The strategy will include on-product messaging to convey BCI sourcing commitments to consumers. BCI is also enhancing its traceability system, the Better Cotton Tracer, so that end-to-end traceability of Better Cotton may be an option for members in the future.

Mike Barry, M&S Director of Sustainable Business, shared with BCI members the need for embracing sustainable business models due to depleting global resources; maintaining social stability; and remaining competitive with better business models for people and planet such as the sharing economy. M&S has responded to these challenges with Plan A, its sustainable business strategy that addresses a broad range of corporate social responsibility issues, including cotton. In addition, M&S supported a study in the Warangal District of India to measure how best management practices (BMPs) in cotton cultivation can lower greenhouse gases.

### BCI Cotton Farming Experiences

Farmers and researchers shared experiences on the benefits of implementing the BCI Standard. Wang Jianjun, President of the Huitong-Nongxi Cotton Cooperative in China, described how adopting BCI practices led to pesticide and synthetic fertilizer reductions that improved ecosystems and farmers' health. Chandrakant Kumbhani, General Manager of the Ambuja Cement Foundation, observed that BCI record keeping is enabling farmers in India to better control inputs such as water and pesticides. Joint BCI and Central Institute for Cotton Research projects on high-density planting systems and mechanized harvesting are showing great promise. BCI's strategic partner in Turkey, İyi Pamuk Uygulamaları Derneği (IPUD), is improving the competitiveness of large- and small-scale farmers via integrated pest management, water conservation, improved worker conditions and peer-to-peer learning. Muhammad Asim Yasin of the Lok Sanjhi Foundation reported that the use of bio-pesticides and organic fertilizers by BCI farmers in Pakistan have led to better yields and reductions in chemical pesticides, synthetic fertilizers and water when compared to



## Retailers panel with BCI Pioneers

BCI's remarkable growth is due to its focus on the mainstream cotton market. By establishing accessible production requirements based on six principles,<sup>1</sup> 44 criteria and eight indicators, it has captured 8.7 per cent of the market in five cotton harvests. In contrast, organic and Fairtrade represent 0.6 per cent of the market captured over a longer period.<sup>2</sup>

These results raise important questions for voluntary sustainability standards aiming to achieve maximum sustainability impact by establishing the right level of production requirements and accessibility for the farmers operating within a particular commodity sector. For the complex cotton sector, where approximately 80 per cent of the supply comes from smallholders,<sup>3</sup> BCI believes that it has found an appropriate balance between requirements and accessibility, focussing on the principle of continuous improvement.

Applicants must meet BCI's minimum requirements to get their license and have a commitment to continuous improvement actions. Farmers identify the most critical sustainability issues that they are facing—which could be water, soil health, pesticides and/or child labour—and a continuous improvement plan is jointly developed, implemented and tracked over five years to address them. In this way, accessibility is maintained, sustainability is achieved via localized improvements relative to a baseline over time, and solutions are developed for specific contexts, thus meeting the principle of subsidiarity.<sup>4</sup> Julie Greene, Olam International and BCI Council Member, affirms this by stating that “continuous improvement is a key aspect of BCI as it recognizes different circumstances and levels the playing field for farmers.”

By establishing a system that is more accessible and based on continuous improvement, BCI is achieving scale and impact. Patrick Laine, CEO of BCI, reinforces this focus by stating: “Our theory of change aims to reach a tipping point in the market so that BCI is not treated as a special program anymore.” Continuous improvement is at the core of the BCI standard, which is currently being reviewed.

non-BCI farmers in the same region. In Mozambique, BCI is working with the government to institutionalize its cotton farming practices. Francisco Ferreira dos Santos, CEO of san-JFS, enabled 32,000 farmers in Mozambique to become BCI compliant in two years via better work environments and more effective communications.

### Addressing the Supply and Demand Gap

The gap between BCI cotton produced and sold was the focus of the retailers' panel discussion. Pramod Singh from IKEA, Ebru Gencoglu from Adidas, Linai Vaz De Negri from Nike, Natalie Hubbard from Levi Strauss and Co., Pascal Brun from H&M and Phil Townsend from M&S discussed the challenges and strategies in sourcing sustainable cotton. Pascal Brun, Ebru Gencoglu and Linai Vaz De Negri counselled that shifting towards sustainable cotton must be effectively communicated internally and externally as a sound business strategy all along the supply chain. Pramod Singh mentioned that the main challenge IKEA faces in maintaining its target of achieving 100 per cent more sustainable cotton consumption by 2015 is shifting the smaller suppliers (10 per cent to 15 per cent of the overall supply) towards more sustainable cotton. Pascal Brun maintained that sustainable cotton consumption is driven by commitments that need to be fulfilled. According to Phil

Townsend, product branding conveying the BCI story to customers will assist with uptake. Ebru Gencoglu felt that physical traceability is required to enhance uptake. Linai Vaz De Negri stated that these changes might require reconciling cotton supply chain stakeholder operational time frames from growing seasons to designing clothing collections years in advance. Linai Vaz de Negri summarized the need for continued innovation by stating: “What got us here will not be what gets us there.”

### Enhancing Communications

Three parallel sessions were held on enhancing communications. A community of practice established on Yammer will network members to share information and solve problems.<sup>5</sup> Members were encouraged to communicate their BCI commitments via in-store information, websites, annual reports, infographics and press support. The cotton supply chain was dissected to explore strategies on improving uptake. Challenges faced by retailers and suppliers in sourcing BCI cotton were explored, including the lack of retailer supply chain transparency and suppliers associating BCI cotton with inferior quality.

<sup>1</sup> Better Cotton is produced by farmers who 1) minimize the harmful impact of crop protection practices, 2) use water efficiently and care for the availability of water, 3) care for the health of the soil, 4) conserve natural habitats, 5) care for and preserve the quality of the fibre and 6) promote decent work.

<sup>2</sup> Percent of global cotton production captured by Fairtrade and organic in 2012 was obtained from the *State of Sustainability Initiatives Review 2014*.

<sup>3</sup> There are approximately 50 million cotton farmers, out of which 99 per cent are smallholders who farm on less than 2 hectares and produce 80 per cent of the world's cotton supply (interview with Patrick Laine, June 8, 2015).

<sup>4</sup> The principle of subsidiarity posits that local interests and needs are best represented via local participation.

<sup>5</sup> The community of practice will build off of a Yammer pilot project with BCI members in India and the san-JFS experience who used WhatsApp to connect key national stakeholders, including 30,000 smallholder cotton farmers, in Mozambique.



BCI members networking.

## Strengthening the Membership

The BCI leadership team conveyed the emphasis it is placing on enhancing demand for BCI cotton in the upcoming years with the establishment of the Programme Directors for Supply and Demand. A Communications and Fundraising Director position was also established and several outreach events planned in the fall.<sup>6</sup> With robust targets for 2020, BCI is expanding into several countries, including the United States, where mechanized cotton farming systems are in place. Members were assured that increasing BCI production and overall demand will benefit the entire membership. In collaboration with ISEAL, BCI is working on establishing regional strategies in China and engaging the Chinese government to ensure that BCI has proper recognition in the country. The leadership team is also looking into reducing membership fees by growing its membership base.

## Members' Meeting Day 2

The second day started with an account of the challenges faced by the cotton sector. A frank panel discussion was then held with traders about the challenges and strategies for enhancing the uptake of BCI cotton. Presentations on innovations in cotton quality measurement and cultivation provided the members with the latest advancements in the sector. The day ended with a conversation on the BCI supply chain.

## Strategic Issues for Cotton Production

Jose Sette, Director of the International Cotton Advisory Committee (ICAC)<sup>7</sup>, first presented a comprehensive ICAC/Food and Agriculture Organization report, which establishes 68 indicators to guide the cotton sector towards sustainability. He reported that production has outstripped demand over the last five years. Cotton prices have remained relatively stable at USD 0.70/pound with little prospect for increasing since stockpiles remain high. Polyester fibre has outstripped cotton as the main fibre consumed, since it is more competitive with oil prices dropping. The average share of cotton in the global textile fibre consumption has remained at 30 per cent from 2010 to 2015. The major challenges and opportunities facing the cotton sector include: the development of new varieties; maintaining biodiversity; sequestering carbon and adapting to climate change; reducing environmental impacts; strengthening support services and building capacity for farmers; providing access to financial services; improving

social sustainability by empowering women and attracting youth; establishing standardized testing and classification; adding value; improving performance; and promoting demand. Nevertheless, agriculture is an important driver for ending poverty and cotton is a fibre that provides hope for a more equitable world. There are important opportunities for increasing yields,<sup>8</sup> and almost 70 per cent of cotton cultivated is processed in-country.

## Developments in Cotton Trading

The traders' panel was made up of Pierre de Somers from *Louis Dreyfus*, Richard Bergman from *Cargill*, Marco Baenninger from *Reinhart* and Fritz Groben from *Plexus*. When asked if traders create demand for sustainable cotton, they pointed to the brands and retailers, since their business is driven by their needs. For this reason, Organic, Fairtrade and BCI cotton are already being sourced. More research and investments to improve cotton yields and functionality are needed, since there is more demand for cotton/polyester blends. Cotton will not be competing for agricultural land against food crops in the future since the total acreage of land under cotton cultivation has not changed over the last 10 years, and there is room for yield improvements. Working with BCI has enhanced partnerships and communications along the supply chain, but it has not changed cotton trading. BCI is successful because it does not disrupt trading while it changes the lives of farmers. Traders regularly offer Better Cotton as an option to customers on their quote sheets. This has particularly been the case since any additional costs associated with sourcing Better Cotton, seen in the early days in some countries, have disappeared over a 2–3 year period.

## Advances in Cotton Quality Measurements

Elke Hortmeyer, Bremen Cotton Exchange, started her presentation by stating that cotton quality<sup>9</sup> is instrumental in establishing trading rules, as good quality cotton can move through the ginning and spinning process more easily. For this reason, advances in measuring and testing cotton quality are important. The Bremen Cotton Exchange sets the standards for cotton quality and has developed instrumentation for measuring it (Uster HVI 1000, AFIS, Sticky-Cotton, Thermo-Detector, Premier G Trash). The USTER HVI Line can measure various fibre properties (i.e., length and uniformity) and characterize many bales at a time. Cameras can be used to measure cotton colour via the reflection

<sup>6</sup> A number of BCI responsible cotton seminars are being planned in 2015, including: New York City (July 23) The Munich Fabric Start (September 1), Los Angeles (September 2) and International Textile Market Association in Milan (November 17).

<sup>7</sup> The International Cotton Advisory Committee is an "intergovernmental knowledge-based organization to help create an enabling environment for the sustainability of the world cotton sector" (Jose Sette, Strategic Issues for Cotton, International Cotton Advisory Committee, Presentation given June 10, 2015 at the BCI Members' Meeting).

<sup>8</sup> Cotton farmers in Australia and India achieve average yields of 2,000 kg/ha and 500 kg/ha respectively.

<sup>9</sup> The major factors that determine cotton quality are primarily seed variety, environmental conditions (humidity, precipitation, pest pressures) and cultivation techniques (irrigation, hand picking, avoiding contamination).



The BCI executive team with IPUD

of light off the fibres. BCI has a role in improving cotton quality through better farming, ginning and avoiding contamination. It is enabling cottonseed and breeding research, and it is participating in the Bremen and CSITC Round Trials. Efforts are being made to compare BCI cotton to conventional cotton.

### Innovations in Cotton Cultivation

Kater Hake, Vice-President Agricultural and Environmental Research Cotton Incorporated, affirmed that in addition to measuring quality, a number of scientific developments have been made in cotton cultivation. Cotton is a crop that can grow over long seasons, but cotton yields are greatly affected by pests, water and fertilizer application. Pesticide resistance led to the development of BT cotton.<sup>10</sup> Integrated pest management is used to control pests by preserving beneficial insects to control harmful insects. Fertilization needs to be done right to enhance yields while avoiding eutrophication. BMPs such as no-till, cover crops and subsurface drainage can make a big difference. Appropriate and judicious fertilizer use in developing countries in Africa could double or triple yields, but have a smaller impact in more developed countries like the United States and China. Cotton is incredibly drought tolerant and it produces fibre and food where, often, nothing else can grow. A number of existing and developing technologies will further enhance cotton cultivation. Ultra-low gossypol cottonseed will greatly expand the food crop potential of cotton. Genetically modified cotton crops grown with phosphite fertilizers will lower fertilizer requirements via

enhanced phosphorus uptake. The upland cotton variety genome has been mapped, which may lead to important advances in genome editing in cotton varieties in the future. There will be overall improvements in classing and handling varieties for optimal cotton quality. Advancements in robotics, information technologies and communications will enhance cotton cultivation and management via the use of remote sensing technologies, drones and web-based tools. The cotton crop is expected to continue being an important global source of food, feed and fibre into the future.

### The Road to 2020

The Members' Meeting ended with a reflection from Patrick Laine, BCI Chief Executive Officer, on their 2020 targets, which he described as ambitious but not unachievable. BCI will remain competitive by improving productivity. For this, consumers will need to drive demand. Supporting BCI is not expensive for retailers and brands, as the fees they will pay on Better Cotton-sourced materials represent only a small fraction of sale costs of final products.<sup>11</sup> BCI will continue to focus on farmers first so they can benefit from the program. In addition, BCI will foster partnerships, communications and innovation within the cotton sector by establishing a community of practice for their membership, providing market linkages within supply chains and facilitating technological exchanges between members. He concluded by stating that, "If certified palm oil can achieve 50 per cent uptake, cotton can do better."

<sup>10</sup> Strains of the bacterium *Bacillus thuringiensis* produce over 200 different Bt toxins, each harmful to different insects but harmless to other forms of life. The gene coding for Bt toxin has been inserted into cotton, causing it to produce this natural insecticide in its tissues (Source: [https://en.wikipedia.org/wiki/Bt\\_cotton](https://en.wikipedia.org/wiki/Bt_cotton)).


<sup>11</sup> The volume-based fee on a EUR 30 dress shirt is estimated at EUR 0.0015 or 0.005 per cent.

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