

Investment in cotton supply chain transformation¹:

IDH The Sustainable Trade Initiative

The Better Cotton Fast Track Program: Pooled funding, a consistent message and a relevant national approach.

Cotton is a dirty and thirsty crop whose production provokes serious environmental and social challenges. While the 27 million tonnes of cotton grown globally require only 2.5% of the world's arable land, it accounts for 6.8%² of pesticide usage. In developing countries, pesticide usage climbs to 50%, especially of the most hazardous types.³ An estimated 3%⁴ of water used worldwide is used on cotton, creating serious regional problems of water scarcity and salination. Other problems include countless smallholder farmers living in poverty and widespread use of child labour.

In 2007 the multi-stakeholder Better Cotton Initiative (BCI) was founded to green the cotton value chain and improve the conditions for smallholder farmers. It was an industry initiative supported by international NGOs (e.g. WWF and Solidaridad), aiming to develop and implement a sustainability standard that would drive change and could be adopted at scale. The standard was intended for the mainstream in contrast with the more the rigid demands of organic production but without premium payments to farmers.

To support the BCI system and to accelerate the transformation of the sector, seven leading brands joined forces in the Better Cotton Fast Track Program (BCFT) in 2010. It was convened by IDH The Sustainable Trade Initiative, as a pre-competitive collaboration between cotton industry, donors and civil society stakeholders. The BCFT coalition has driven change in a number of ways.

First, by joining forces, the brands were able to set ambitious targets for the creation and sourcing of sustainably produced Better Cotton. In 2010, a target was set of 1 million tonnes of cotton lint produced in 2015 and ready to be sourced into the manufacturing supply chains of these major brands. Over a five year period, the brands committed to invest €20 million, to be matched by a similar amount from four funders. This pooled funding enabled the growth of the BCI organization and the start of a comprehensive portfolio of farm support projects in South America, Africa and Asia. This has turned out to be so successful that targets were scaled-up to 1.5 million tonnes in 2015 and 9 million tonnes in 2020 (which would account for 30% of all cotton grown).

Secondly, the alignment of the brands, with the active support of major NGOs, helped to send a strong message into the cotton supply chain. The brands organized a yearly regional event, jointly calling upon their supply base of ginners, spinners and manufacturers, to convey the need to turn towards the production and sourcing of Better Cotton. These strong, united signals have helped to raise the commercial interests of major suppliers into this new approach.

¹ An extract from the paper for OECD and others: Building Green Global Value Chains: Committed public-private coalitions in agro-commodity markets, April 2013

² Data provided to the International Cotton Advisory Committee Expert Panel on social, environmental and economic performance of cotton production (SEEP), 2010

³ WWF, 2007, "Cleaner, greener cotton: impacts and better management practices",

⁴ World Business Council for Sustainable Development, 'Sustain' issue 29, page 7. Their source: www.waterfootprint.org

Finally, this cotton case has brought to light the importance of country-wide adoption for accelerating green growth. Brazil is a clear case in point where the up-scaling of Better Cotton production has been rapid. The reason is that their cotton growers are well-organized and jointly see a commercial interest for the future of their industry. Their supply chain is well organized as farming is strongly consolidated on large properties with good vertical integration because these farmers also control the ginning process (the separation of seed and lint). The national cotton farmer association Abrapa, representing 90% of all Brazilian production, has embraced the concept. They see it as a proposition that not only safeguards the future of cotton production in Brazil but also strengthens their position on the world market. Abrapa are now undergoing the benchmarking of their own national standard with the Better Cotton System and have introduced a member levy to fund the costs. Similar moves are underway by national cotton growing and industry associations in Australia and Turkey.

Hence, an international voluntary standard is integrated into the national standards and strategies of both farmers and processors. If proven to be successful, this allows for a potentially rapid path for the adoption of voluntary sustainability standards and an accelerated move into market transformation.