

# Eyeing on Cotton

--ITMF Annual Conference 2012  
kicked off in Vietnam

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Edited by Wanzy Wang

*The eyes of global textile industries focused on Vietnam this November, as the International Textile Manufacturers Federation (ITMF) held its Annual Conference 2012, oriented with the theme of "Challenges for the Global Textile Industry – Present and Future" in the city of Hanoi from November 4-6, 2012.*

Recently, global textile industries are coping with a complicated business environment. Volatile raw material markets, sovereign debt crises, currency disputes, political instability in some regions, a blocked Doha-Trade-Round, looming protectionism, growing world population, demographic changes, climate change, etc, these are just a few of the short- and long-term challenges that the world economy is confronted with and which have far reaching implications for the global textile value chain.

During the ITMF Annual Conference 2012, more than 20 high level professional experts from around the world covering relevant aspects along the entire textile value chain – from fiber to retail – were invited to

present their analyses and views on the issues, such as the global cotton and textiles, review of global demand for chemical fibers, making a difference in textile and apparel industry, old and new retail market, how to handle textile supply chain, and so on.

## Sustainability of Cotton

At present, "Cotton" would be one of hot issues for global textile industries. During the Annual Conference, in the Fiber Session, professionals gathered together to discuss and exchange views on the cotton as well as the global demand for man-made fibers.

The cotton-oriented portion focused on various aspects of

sustainability of cotton, from its growing role in retail marketing, to the focus and meaning of the Better Cotton Initiative, and to the multiple challenges the industry faces in developing a sustainable supply chain.

Robert P. Antoshak, Managing Director from Olah Inc., USA, focused on the relationship between cotton and the textile industry. "The ability to offer 'green' products is a critical success factor at the retail level these days," Antoshak said, "If retailers can label their products as being environmentally friendly, they have an undeniable advantage among consumers in the marketplace." "Buyers believe in 'green,' and it doesn't really matter whether they're right or not. It's what they're going to demand," he concluded.





Ecom Cotton Group's Antonio Vidal Esteve, talked about ways the Better Cotton Initiative (BCI) can eventually raise the bar on sustainability for the entire supply chain. Esteve pointed out that it is still a common misconception that BCI is a non-governmental organization (NGO), when it was actually created by forward-thinking retailers such as IKEA, Levi's, Adidas, and H&M.

"These companies don't actually need BCI today... but they see that the day is coming when they will," Esteve said. "Sustainable production is not a 'cotton-only' issue, but it is an issue the cotton industry will have to find a solution for, just as other commodity supply chains have done. BCI is an industry-wide, umbrella solution."

One of BCI's biggest challenges has been the confusion about the use of the term "better." According to Andrew Macdonald, head of AMCON Consulting and moderator of the Fiber Session, "It's crucial that people realize 'better' doesn't refer to quality; it refers to improved production practices."

Moreover, Esteve added: "The purpose of BCI is not to say that one type of cotton is intrinsically superior to another type of cotton. The purpose is to enable and promote sustainable best practices in all aspects of the cotton supply chain."

### Challenges among Cotton Supply Chain

In the cotton portion of the program, Richard Shaw of the

innovative crop science company Bayer CropScience, highlighted a number of challenges the industry faces in developing a sustainable cotton supply chain. Among them are the lack of universally accepted protocols and metrics; the absence of official standards for certification and documentation; and a lack of consensus on third-party verification.

Mr. Shaw pointed out that addressing those and the other challenges cotton faces in becoming more sustainable won't be easy -- or cheap. "Due to the costs inherent in making major changes, additional compensation will be required at various points in the supply chain," he said. "That's something we simply have to accept, right from the start, if



## Market & Investment

we want our industry to become more sustainable.”

During the Supply Chain Session, Cotton Incorporated's Mark Messura focused on the Cotton's future in supply chain. "Without question, the competition between cotton and synthetic fibers is intense, but the real concern for all of us in the textile industry is that people today have increasingly diverse expenses that eat into their expenditures on clothing," he said. While cotton and synthetic fibers will continue to fight tooth and nail for market share, the bigger picture for cotton is the ability to expand its number of uses and applications.

"Between 80% and 85% of all cotton produced in the world goes into clothing, and clothing will continue dominate the end uses for cotton," he said, "But it's also used in oil, ice cream, animal feed and construction materials. Textile companies might not be able to spin cotton seed, so those applications don't necessarily impact mill owners. But they are critically important to the economic health of cotton farmers, so expanding the number of applications cotton can be used in will be a driving force for production in the future."

"The quality of cotton fiber is constantly changing and improving through technology," Messura continued. "Cotton isn't a synthetic fiber, but it is an engineered fiber, and it's constantly evolving."

Meanwhile, environmental friendliness and sustainability -- commonly thought of as crucial factors for consumers when they make purchasing decisions -- are fundamentally supply chain issues, not market issues, he added.

"Cotton Incorporated research shows that very few consumers are

willing to pay a premium for clothing or home textiles that are environmentally friendly, organic, sustainable, recyclable or compostable," Messura said. "About 27% of consumers say they put effort into finding environmentally friendly apparel, and that number is lower than it was five years ago. It's not a factor that's becoming more important to consumers; it's actually becoming less important to them when they make purchasing decisions."

He was careful to point out that the research doesn't mean sustainability isn't important... only that it's a more important issue for the supply chain than it is for consumers.

"People often ask: How can we strive to plant more cotton when the world needs more food? Well, in the future, the world is going to need more of a lot of things! That's why cotton has - and will continue to - improve its production practices. The industry will innovate and find ways for cotton to require less land, less water, less energy, and fewer chemicals to generate even more fiber," he said.

### Increasing Demand of Man-made Fiber

Another important topic of the Fiber Session mainly highlighted man-made fibers. With regard to the man-made fiber and the global demand for chemical fibers, PCI Fibres' Peter Driscoll stated that while part of man-made fibers' gains in overall market share are due to the growing number of uses for synthetics (above and beyond traditional textile applications), they are also the result of the extreme volatility that the cotton industry has experienced in recent years.

"That price volatility appears to have reflected a panic about the supply of cotton," he said, "A number of retail

brands we've talked with said are making a concerted effort to move away from cotton products because they can't bear the thought of discontinuity of their supplies."

He said it took six to nine months for the man-made fiber industry to pick up the demand vacated when cotton prices spiked, but that lag is just part of the business. "Generally speaking, demand from consumers tends to be quite smooth," Driscoll said, "What isn't smooth is the fiber industry's reaction to that demand. A retailer might see an increase in sales of green shirts, decide that green is now 'in', and order a large number of green shirts from the supplier. The market then becomes saturated because the anticipated demand was distorted. But that's the way this business works, and it always will, so we simply have to live with it."

Madhu Suthanan of Reliance Industries shared with the audiences his views focusing on the sustainability advantages offered by polyester fiber -- particularly those related to economics.

"Polyester is not only the most affordable of textile fibers, it has had the lowest levels of volatility in recent years," he said, "In addition, polyester supplies are easily scalable to varying levels of demand, a problem that is much more challenging for natural fiber."

He also pointed out that there is a 98% correlation between GDP and fiber demand, and as the global economy continues on the road to recovery, polyester is expected to be the biggest beneficiary, accounting for 65% of the growth in incremental demand in coming years. Moreover, polyester filaments accounted for less than 10% of global fiber consumption in 1980, but he predicted that the number will approach 50% of the total fiber market by 2020. ■