Minutes

September 6, 2018 (16:15 – 17:45)
Fedora 1+2, Villa Rosa Kempinski Hotel
Nairobi / Kenya

Panellists:

- **Moderator:** Nick Earlam (JCC-Chairman, UK)
- **Grower:** Jeff Elder, J. G. Boswell Company (USA)
- **Ginner:** Suresh Kotak, Kotak Ginning & Pressing Industries (India)
- **Cotton Expert:** Wolfgang Bertenbreiter, GIZ, Germany
- **Trader:** Henning Hammer, Otto Stadtlander GmbH (Germany)
- **Spinner:** Suresk Kumar Khandelia, Sutlej Textiles and Industries (India)
- **Spinning Machine Producer:** Pia Terasa, Saurer (Switzerland)
- **Retailer:** Aysegul Postoglu Gumus, IKEA (Turkey) *

* Ms. Aysegul Postoglu Gumus replied to the questions in writing as she did not arrive on time in Nairobi to participate in the panel discussion.

1. **Opening Remarks by the Chairman**

   The meeting has been opened with a few introductory remarks by the Chairman of the Committee, Mr. Nick Earlam (UK).

2. **Panel Discussion: “Transparency, Traceability, Sustainability – What is the Future of Cotton?”**

   **Q1:** At an estimated cotton consumption this coming year of nearly 27 million tons which will finally surpass the best figure achieved before the Financial crisis do you think that this continued uptrend is here to stay and if so why? And if not why?

   Mr. Elder talks about a contradiction in the future of the cotton industry. He explains that cotton farming is not profitable enough to meet the future demand (which he expects to grow).

   Mr. Kotak is optimistic about the future of cotton for two reasons. First, the sustainability trend pushes people toward cotton. Second, the cotton industry is evolving toward more responsible production.

   Mr. Hammer explains that the global demand for fibres will increase, such as cotton consumption. He sees a chance for cotton to regains market shares despite that competition with other crops is challenging.
Ms. Gumus: Of course, we do not hold the crystal ball of the future but we don’t expect, this trend to last. The reason is that in coming years there will not be enough cotton available to meet the growing demand. In the past few years, Chinese inventory have filled in the gap in demand and the gap in supply.

Further, with a general low global level of “carry forward” stock from previous year, the price of cotton will go up. As a consequence, the consumption might move towards man-made fibre. Unless, we manage to use recycled pre and post-consumer cotton textile, the gap between supply and demand could continue to grow.

**Q2:** The sustainability and environmental issues currently surrounding man-made fibres have had a profound effect on the price of man-made fibres and perhaps some usage. In view of the fact that these environmental issues seem here to stay, that man-made fibre represents about 70 percent of the fibre market and that it is virtually impossible for cotton to regain its percentage market share of earlier years, how do you see the man-made fibre market performing in having to address these issues in the coming years?

Mr. Khandelia explains that less than 1% of all trees is used in the cellulosic fibre industry. He states that about 1% of oil is used in the synthetic fibre industry. At the same time, there is not enough land to grow cotton. Man-made fibres (MMF) has a future because its production has not special constraint, requests less water than cotton, and requests less energy due to shorter production processes and a shorter product cycle. He also mentions two more advantages of MMF over cotton: price of MMF is lower than that of clean cotton and synthetic fibres can be produced from recycled PET. He concludes by saying that he does not see both fibre categories and substitutes but complement.

Ms. Terasa reminds that at the ITMF Annual Conference 2016 in India, a major retailer mentioned that polyester is not sustainable, especially because of concerns about microfibres. Hence, the future orientation of the market toward one category or another is not clear. For machinery producers, the flexibility of the equipment in treating different fibres is important to follow the future demand of the market. She also mentions that cotton needs to reinvent itself to better fit the market requirements.

Mr. Bertenbreiter explains that cotton grows in many places where other crops don’t. Worth to mention is also that sustainability should account for cotton by-products too. And finally, a growing trend in the market (especially in Germany) is integration of cotton farming by companies in the downstream cotton industry with the aim to increase control over sustainability along the value chain.

**Q3:** It would be of great interest to hear from our machinery manufacturers how they see the future of cotton. Is Spinning cotton here to stay forever or are there other technologies which can materially alter the process? Indeed, is cotton the fibre that would be used? We see today digital printing straight onto greige almost impossible to imagine a few decades ago – how will the whole process develop further in the coming decades?

Mr. Khandelia says that machinery manufacturer need to create machines that are flexible enough to access various fibres.

Ms. Terasa answers that machinery manufacturers are putting effort on cotton and spinning preparation, so cotton is still a focus. However, new technologies are coming. 3D printing has made its proofs lately, but the adoption of new technologies depends on customer needs (i.e. 3D printing vs. mass production), sustainability, and traceability of yarn within the whole production process.
Ms. Gumus: At IKEA we believe that we, together with other brands, have an important role to play. As mentioned above, man-made fibres will continue to play an important role. At IKEA we are committed to work towards sourcing of more sustainable man-made alternatives. IKEA wants to source made cellulose fibres coming from well managed feedstock that are produced under more sustainable conditions. We are also moving from virgin fossil based polyester towards rPET and, in the future, bio based polymers.

Q4: Cotton has battled negative press since I became involved in the Industry over 40 years ago and has made enormous strides in reversing that image, but it still battles it. We have BCI, CmiA and numerous other smaller sustainability programs but they are mostly based on the mass balance system, which many people would argue is a good beginning for sustainability but very broad-based and lacking in comparison to something such as the Supima program which was started in 1954 and where everybody along the whole supply chain is traceable.

Ms. Gumus: Since 1st September 2015, all the cotton used for IKEA products comes from more sustainable sources. This means that the sustainable cotton we use, compared to conventional cotton farming, is grown with less water, chemical fertilisers and pesticides, while increasing profit margins for farmers. Today we have 77% BCI cotton in our sustainable cotton portfolio and has adopted a different approach than Mass Balance. Our requirement is that sustainable cotton, used in our production, is segregated and traceable all the way from IKEA product to fibre. IKEA went for physical traceability to be able to offer our customer a product with 100% sustainable cotton.

We have large retailers saying that they will be 100 percent organic by 2020 – Retailers that consume between them 750,000 tons of raw cotton - yet the world production of organic (and some of that is dubious) is only 130,000 tons.

Ms. Gumus: We don’t comment on ‘organic cotton’ and ‘goals’ of fellow retailers regarding ‘organic cotton’. On our side we are following the development of organic cotton and continuously evaluate the benefits and challenges compared to for instance BCI.

We have buying departments of major brands whose Buyers are totally incentivised to profitability rather than to impact, who pay lip service to sustainability but do nothing to further it. Of course, there are famous brands such as Patagonia and others who are serious about it – but is it mainstream?

Ms. Gumus: We are totally committed to ‘sustainable cotton’ and within our portfolio, BCI is by far the biggest. Our engagement is all the way up to farm. In recent years, apart from supporting Better cotton farm projects, we have extended the scope and engaged with water stewardship, agro-forestry and bio-diversity. This would create the right pre-conditions to be able to produce ‘sustainable cotton’. As we reach further back and influence the value chains we believe that we are part of influencing the supply chains towards more responsible sourcing. At IKEA we make our decisions based on five parameters: cost, quality, sustainability, form and function.

Is it possible to move beyond this to something the world can be truly proud of or is it something that will be continually fudged?

Ms. Gumus: We are perennial optimists, we can and should work together to reach further. To succeed we need to join forces in the whole value chain with everybody taking responsibility.

Mr. Bertenbreiter tells about a need for new studies on water consumption and use of pesticides to rehabilitate cotton as a sustainable crop. He also mentions that standards are sometimes confusing due to competition amongst standard holders. Actors of the industry need to work together to solve that. Furthermore, traceability is important and there is a real demand for hard identity. But are industry players ready to comply? Finally, sustainability is a
matter that touched the whole value chain. Retailer also have to invest upstream if they want, for example, organic cotton to be a tangible product.

Mr. Earlam says he uses traceability back to the farm. He is ready to pay for it (decrease own margin) because he cannot push down its cost to his customers. Supima, for example, has also invested in this technology.

Mr. Hammer also says that the demand for sustainable cotton growing. In his view, however, cotton is mostly sustainable. What is missing is certifications.

Mr. Kotak concludes that cotton is a mass fibre with great economics. Being Bi-component fibre with tremendous backward integrations possibilities on cotton seeds and its derivatives.

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Additional questions from the floor:

Q: What is the point of organic cotton?

Mr. Bertenbreiter says that the cotton fibre is part of a farming system. Hence, the farming system must be organic for the fibre to be organic. Organic cotton alone actually makes no sense, as organic cotton is not grown as monoculture.

Q: To what extent is cotton recycling a threat to cotton growing?

Mr. Simeoni adds that the use of cotton in the non-woven industry is endless because it does not imply spinning.

Ms. Terasa adds that major developments are going on to allow an increased use of shorter fibres in spinning.

Q: What is the cost of per pound of soil-based system?

Mr. Elder says about USD 0.50 a ball, or about 10 points.

3. Presentation about and Demonstration of “The COTTONHAND App”

Mr. Walter Simeoni (The COTTONHAND, South Africa) has presented a new app that provides smallholder farmers with relevant information on their fingertips. More information can be found here: http://www.thecottonhand.com/

4. Any other business

None.

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