SUSTAINABILITY: COTTON

Cotton is losing its share of the global fibre market and the industry has to become "much younger, much hipper" if it is to reclaim some of the lost ground.

Cotton needs to be "hipper" to grow demand

At the start of the 21st century, cotton's share of the global fibre market was 34%, according to Joe Nicosia, head of the cotton platform and executive vice-president at international agricultural merchant and processor Louis Dreyfus Company, headquarted in the Netherlands. The figure he gives for cotton's current share is 24%. He says that an assumption among many in the cotton industry, that a large group of consumers in the world's most developed economies would continue to express a preference for cotton and that apparel companies, keen to please them, would take heed and keep using cotton in their clothing collections, has proved false. "Apparel companies don't make what consumers want; consumers have to choose from the apparel those companies choose to make," he observes.

A preference among apparel brands for synthetic fibres appears clear. China, which dominates fibre production, has an abundant supply of polyester and is still adding polyester capacity, Mr Nicosia explains, adding that, since 2007, cotton consumption in China has decreased by 33%, partly because, with polyester "you can turn the machine on any time you want". His opinion is that the manmade fibre sector in general is "pushing forward" in terms of innovation and is making good products. Polyester has also become more and more attractive price-wise, increasing its popularity among cost-conscious apparel brands and manufacturers. As a result, younger generations of consumers have "grown up with synthetic fibres", he says, pointing to yoga pants now outselling denim jeans "by a long way" and to the demand for cotton clothing among the young being "non-existent". He recounts seeing a shirt for sale at a retail outlet in Memphis airport commemorating the 2017 Cotton Bowl Classic American football event, which took place in early January, complete with the event's boll-of-cotton logo, which on closer examination proved to be made from 100% polyester.



Industry experts are searching for the right path for cotton to take in the immediate future.

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In his opinion, cotton needs to work on its image if it's to claim back market share. "We have to get much younger, much hipper," he says, "become more urban. Our focus needs to move to the younger generation, telling our own story on social media. We have quick-drying athletic shirts made from cotton, but people don't know they're there. We have a story to tell and we have to expose it to the right people. This scares me; industries with negative demand die. If you have a shrinking demand-base it's hard to attract talent or investment."

Australia's tale

Attracting and keeping talent has been an important area of focus for Cotton Australia, a non-profit organisation that raises money from every bale Australian cotton farmers produce and then spends it on research and innovation and on projects that promote the crop to buyers overseas. All of Australia's cotton goes for export because the country has hardly any textile or apparel industry of its own. With a 2016-2017 crop that looks like being close to 4 million bales, Australia has about 3% of global production, but is the world's third-biggest exporter of cotton.

Cotton Australia's general manager, Michael Murray, explains that the crop is of the highest importance in rural towns across the country and that his organisation engages with around 1,200 farms in these communities, some now being run by the fourth-generation of the families that began modern cotton production in Australia about 50 years ago. Now, he says, as a result of the investment Australia has made in technology and in people, the country's cotton farmers achieve the highest yield-per-hectare in the world with an output that is three times the global average: 18 bales per hectare from fields that are irrigated and 12 per hectare if rain is the source of water. This has allowed cotton farmers in Australia to reduce this crop's land use by 30%, and all this without any compromise on quality.

"Australian cotton is of really high quality," says Brooke Summers, a communications consultant who has led projects for Cotton Australia for more than a decade. "The fibres are long, strong and white and the farmers look after them during the growing process to keep them pure." She points out that these are qualities that are capable of meeting the requirements of even the most demanding customers. For example, off the field, the German football team that won the FIFA World Cup in Brazil in 2014 wore Hugo Boss suits that were made from 100% Australian cotton.

When cotton is produced sustainably

"We've also spent a lot of time improving sustainability," Michael Murray explains. "This, too, is backed up by research and has the support of the farmers. We've achieved a 95% reduction in the use of pesticides, and with regard to water use, without major improvement, we'd have ceased to exist. In general, the cotton industry around the world receives a lot of criticism, but we are the first agricultural sector in Australia to have external environmental audits and to put out a sustainability report." After investing in advanced technology such as soil moisture probes, groundwater quality-monitoring equipment and camera-equipped drones to help farmers understand more fully issues such as evaporation, to establish when best to water and how to water, the Australian cotton industry has achieved a 42% improvement in water efficiency.



The industry has to find ways of stretching cotton's share of the overall fibre market.

Cotton Australia

Ms Summers says the key to cutting pesticide includes a commitment to biodiversity, including allowing 40% of the vegetation on the farm to be natural. Thanks to this, and to the planting of native species of tree such as acacias, birds and bats thrive on these farms and eat their way through large volumes of insects. These developments are captured in a set of documents that Cotton Australia has called Best Management Practice (BMP) and shared throughout the cotton farming community.

A family affair

On the social side, people working in cotton farming in Australia are safe and well paid. Sixty of the standards in BMP refer to people and to health and safety in the workplace. Cotton Australia believes this has helped keep talented, intelligent, professional, young people in the industry. Yes, some drift to the cities, but Michael Murray insists at least one son or one daughter always takes the farm on, and when people begin to have families of their own, they often move back. "Because these are mostly family operations," Ms Summers says, "and the people growing the cotton often live on the property

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Improvements in technology, land use, pest control and water management, have allowed Australian cotton farmers to produce more bales per hectare than their counterparts elsewhere in the world.

Cotton Australia

with their children, of course they want the environment to be safe."

Cotton Australia says that it is conscious of being part of "a global story" and, therefore, feels it has an obligation to share what it now knows with others. With funding from the Australian government, matched by Better Cotton Initiative (BCI), the Geneva-based non-profit organisation that works to promote greater sustainability in cotton production around the world (and of which Cotton Australia is a member), the organisation has embarked on a $1 million-project to provide training to cotton farmers in Pakistan. "We're trying to tell the world about what we've been able to do," Brooke Summers says.

Supply levels

In addition to improving its image, the industry has to make sure it keeps supply levels up. China planted cotton on around 2.7 million hectares in the 2016-2017 season, which means a drop of almost half (46%) since 2011-2012. "This is the biggest irony of all time," Mr Nicosia says. "It comes after China spent tens of billions of dollars promoting cotton production there and now it's lost almost half of its acreage." His view is that there has been "no balance" in the global cotton fibre market in the last decade, with extreme surpluses or extreme deficits. For a time, China bought up any surplus that any other country produced and built up substantial stocks of cotton, but it is curtailing its imports now and is using up its reserves. Joe Nicosia says those stocks amounted to 50 million bales of cotton in the middle of 2016, but that by the end of the year, the figure was 38 million. These reserve stocks will continue to diminish. According to Mr Nicosia, cotton production has become "no longer desirable" in China, with farmers deciding to grow "easier crops" instead.

The rest of the global industry has been pretty stable, he says, adding: "The US crop was set to be substantially higher in 2016 until Hurricane Matthew hit [in early October], but it still ended higher than the year before at a crop of around 16 million bales. Pakistan's crop was 9 million and Australia's 4.5 million. Outside China, the world is balanced."

The polyester problem

This isn't enough: the cotton industry has to produce more fibre and more demand for that fibre. The Dreyfus executive vice-president thinks that the total crop is likely to have grown by 1% in 2016 but insists that polyester is "the real problem" and says the cotton industry has to fight back against the rise of the world's favourite synthetic fibre. "Total fibre consumption is growing at a very good pace," he points out, "but we can't keep up. We have to find a way to increase cotton's share, even though all the fashion trends point towards manmade fibres continuing to dominate."

He talks about a twenty-twenty vision for US cotton: for it to produce a crop of 20 million bales in 2020. He says it's possible but admits that pricing is a problem. If the price of cotton is too cheap, farmers will grow something else in their fields instead. If the price of cotton goes up by enough to attract farmers, it will become even less competitive against polyester in the eyes of the downstream users of fibre. Joe Nicosia comments: "Pricing is a dilemma. Cotton in China at the moment is more than twice the price of polyester and that's a large hurdle to get over. Another problem is that we don't need extra bales now. When we had a surplus each year between 2012 and 2014, China bought it all, but China won't buy it now, so who's going

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to carry it? Nevertheless, someone has to grow more cotton in 2018, 2019 and 2020 and the most efficient way to achieve that is to carry higher prices now, without attempting to go too quickly. Most major field crops are not making much money anywhere, but there is a chance that beans or corn or wheat could start to produce returns and if they do, the extra acreage that could be used for extra cotton will go to those crops instead." He argues that, at some point, the price the textile industry pays farmers for their cotton crop is going to have to go up. If it starts gradually to do that now and farmers plant extra cotton as a result, the fibre stands a better chance of regaining market share in the next few years.

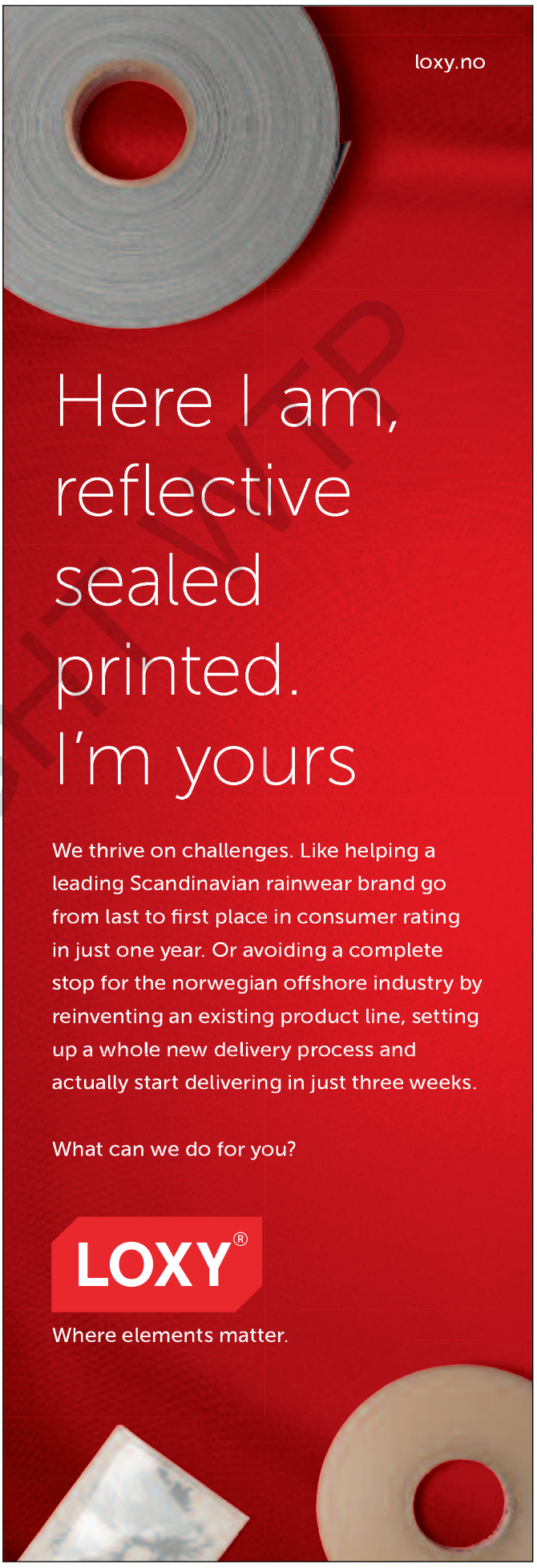
New pattern

A multi-faceted consultancy called Forum for the Future is adding 20 years to the twenty-twenty idea, examining what the global cotton industry might be like in 2040. Chief executive, Dr Sally Uren, explains that the organisation works with a wide range of major global brands (Unilever, Telefonica and Target are examples) that want to be what she calls a force for good. "That's the context in which we have looked at cotton," she explains, adding that there are many players pushing for a sustainable cotton industry and that Forum for the Future wants to "provide a space" to allow them all to work together towards that. "The future of cotton isn't secure," she says. "Its water use is high, it's a polluting industry and it's grown in a number of geographies that are susceptible to climate change. The production of cotton in the future may not follow the pattern of today." Cotton also provides millions of people around the world with a livelihood and Dr Uren wonders aloud what will happen to those millions of people if the sectoral shift towards synthetics continues.

She points out that cotton is far from alone in facing these questions and that other crops, including coffee, tea and palm oil, have also had to "get on the front foot" to present themselves in the most positive light they can (in the face of loud criticism). "We are in a world in which more and more people want to know the provenance of the products they buy and you have to be clear and you have to be honest about it," she says, "because there is nowhere to hide. You gain nothing by staying silent. If you don't speak up about your industry, someone else will speak for you, especially in this world of connectivity."

How market transformation happens

Whatever happens to the cotton industry between now and 2040, Sally Uren agrees that building demand among retailers and consumers, improving transparency and traceability, "up-skilling" cotton farmers to help them become "more resilient" and recycling more cotton will be important steps. "We're working on the question of how to build demand now," she explains. "Originally, we thought that this would mean going directly to the consumer but now we've realised that there is a need to work with brands, certification bodies and retailers first." In its search for answers to these questions, Forum for the Future is working with BCI in Geneva. It insists that there are already "leaders" among the retail groups that source high volumes of cotton; Dr Uren offers H&M and Ikea as examples. "Specifying 100% sustainable cotton is not that hard," she says. "Getting the message across to chief executives may be harder, but market transformation happens when you pull multiple levers at the same time. That's how sustainable cotton will become the norm."



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