



# **69th Plenary Meeting of the INTERNATIONAL COTTON ADVISORY COMMITTEE**

## **MINUTES**

### **THIRD OPEN SESSION**

#### **The Impacts of Social and Environmental Standards on Demand for Cotton and Textiles**

#### **REVISED**

9:00 hr. Wednesday, September 22, 2010

Mr. Jeff Silberman, Executive Director of the International Forum for Cotton Promotion and Department Chairman – Textile Development and Marketing Department, Fashion Institute of Technology New York (FIT), in the Chair.

The Secretary General explained that this session is organized differently than other sessions. He said that the Chair will pose questions, and members of the panel will be invited to react and the discussion will be open to all participants in the meeting.

The panel agreed that fabric development is driven by consumers needs and pricing, since the ultimate goal of product development is to increase business through higher demand and higher prices.

The panel identified a number of factors affecting fiber content decisions: the feel of the fabric and how consumers react to it; the sustainability perception of each fiber (technological advances in cotton production and improvements of growing practices have a positive effect on final demand for cotton products); fiber innovation, such as rayon eco-fibers, tend to increase the use of man-made fibers in blends; differential import tariffs on different textile products (in the United States, the import duty for products with at least a 55% blend of cotton is 6% to 8%, while the duty for synthetic fibers is 16% to 18%); for high-end textile products, the added dimension and layering effects of each fiber affects consumer demand. In traditionally cotton intensive textiles such as jeans, towels and bed sheets, cotton is the dominant fiber and there is little room for blending other fibers into the fabric (however, Tencel and rayon have recently been incorporated into a small volume of denim fabrics, and cellulosic fibers have recently been incorporated into a small volume of towels).

The panel indicated that there is room for positive synergies between man-made fibers and cotton, as long as blending increases the quality and the desirability of textiles. The positive response observed in the market for jeans after the introduction of 2% spandex on denim was given as an example. Fiber content is relevant in marketing textile products to the extent that consumers care about it. Cotton is associated with absorbency and softness. But there are initiatives to develop fabric made from man-made fibers with similar characteristics, such as the 100% micro-denier polyester woven fabric with strong wicking properties.

The marketing campaign for organic cotton started a trend among consumers to look for sustainable cotton. Apparel companies are facing more questions from their customer base about the textile production process, how fibers were produced, living and working conditions in fields and factories, environmental effects, and others.

The delegate of EGYPT requested clarification on what drives fashion. The panel agreed that for mass-marketed products, the most important factors in decreasing order are price, color, fit to the body, and fiber content; while for high-end textiles, the most relevant attributes are fit to the body, color, marketing and image, and scale of production. Packaging and marketing have impacts on prices.

The delegate of TANZANIA requested information about the reliability of organic cotton labels in apparel and garments. The panel agreed that the lack of a legal definition of what constitutes organic textiles in the United States leaves room for lax interpretations of the term, and results in cases in which the organic fiber component of products labeled organic is lower than 10%. Some companies are reporting detailed fiber content in each label,

targeting transparency through traceability to re-assure consumers about the reliability of their labels. An important lesson for all types of cotton that stems from the organic marketing campaign is that successful marketing strategies can have strong and lasting effects on the demand for fibers. In the European Union, the terms organic and biologically produced are legally defined terms, and proper evidence must be provided to support the claim that products are organic. If the retailer fails to furnish evidence to support its claim it can be legally prosecuted. These definitions have been in place for 25 years. Producers in Mali, Burkina Faso, Kyrgyzstan and India are complying with these legal definitions. However, the delegate of POLAND highlighted the existence of different definitions for organic textiles across countries within the European Union. A representative of the Organic Exchange indicated that information on organic textiles could be found on the web page [www.organicexchange.org](http://www.organicexchange.org).

The delegate of BRAZIL enquired about the degree to which consumer preferences drive fabric development, and the degree to which textile companies tell consumers what they should like. Panelists indicated that the balance of power switched over the last 30 years from decisions being taken by textile companies to decisions being taken by retailers, who listen to consumers. The increase in installed textile capacity around the world facilitated the shift. However, the success of Cotton Incorporated in educating consumers about fiber content and the benefits of cotton shows that consumer preferences can be modified through marketing.

The delegate of the UNITED STATES requested clarification on whether the opinions of the panelist were based on scientific evidence or anecdotal evidence, and on the share of consumers interested in issues behind labeling across countries. Panelists drew their conclusions based on combinations of hard data and anecdotal evidence. The panel indicated that European consumers are more interested than U.S. consumers in how fibers are produced and their sustainability profile. However, it was noted that the EU is the largest end use consumer of polyester in the world. Young, urban, and educated consumers in the UNITED STATES want to avoid products perceived as not sustainable. In CHINA, end use textile consumption is heavily dependent on polyester, and the trend could accelerate. The development of sustainable policies by IKEA and Wal-Mart will put extra pressure to enhance sustainability on all cotton production through time.

The panel agreed that sustainable cotton does not need to be organic. Conventional cotton production with proper management of resources and resulting in increased farmers' income is sustainable.

The delegate of INDIA requested clarification on how the ICAC plans to implement the Three-Pronged Response to criticism about the sustainability of cotton production proposed in the Report of the Executive Director to this Plenary Meeting. The Executive Director stated that it is the prerogative of the Plenary Meeting to evaluate whether the information in the report merits additional consideration. The delegate of INDIA proposed that a sub-committee be formed to implement the suggestions included in the Report of the Executive Director. The delegate of BRAZIL supported this suggestion.

Dr. Sebahattin Gazanfer, Advisor to All Textiles and Raw Materials Exporters of TURKEY, made a presentation on BCI and its adverse effects of cotton sourcing requirements by the large retailers, who were members of the BCI. At the outset, he stated that he fully supported the technical arm of the BCI, together with any programme which engaged itself to the betterment of the cotton industry. However, he was not in a position to express a similar view on the commercial arm of the BCI, pointing out that the textile mills in Turkey were being asked to source their cotton from growers/traders who were participating in the Better Cotton Initiative (BCI). He was concerned that this requirement had the potential of disrupting the established long term business relationships with suppliers in the US, Greece, etc., where BCI was not yet active. Dr. Gazanfer explained that roughly two-thirds of Turkey's total cotton imports came from the US due to many advantageous factors, unique to the US cotton, for which he gave a long list, which included; being competitively priced, consistent in quality, little or no serious contamination risks, timely delivery, after sales care, attractive credit terms, no sovereign risk, etc. He added that the supply chain of BCI cotton was not as yet established, and the potential sellers of BCI cotton demanded certain premium. Dr. Gazanfer labeled the request unrealistic and even absurd, since it had no regard to the long term business relationship running smoothly for the last 20 years with their cotton suppliers. Given the above legitimate reasoning and current little or no availability of the BCI cotton in the world market, he questioned the maturity and appropriateness of such a request from various angles, including from the perspectives of free and fair trade practices. He concluded his remarks by requesting from BCI's retailer members to refrain from forcing textile mills to source cotton from BCI farmers, and that BCI should work to unite the cotton market rather than fragment it. He added that contrary course of action should lead to the ICAC to take measures, which should

include discussions to distant itself from the BCI.

The delegate of ARGENTINA complained about not being given the floor despite having the country placard standing for 20 minutes, and he refused to pose the question the delegation intended to ask in discontent. The Executive Director apologized for failing to recognize the delegate of ARGENTINA, and explained that he asked the Chair to allow Dr. Gazanfer to make his presentation, which was long scheduled on the agenda. The delegate of BRAZIL expressed his support to the claim made by the delegate of ARGENTINA.

The delegate of AUSTRALIA asked panel members what can a farmer do to add value to textile products and how can farmers capture that extra value; and he asked whether cotton should have its own brand to differentiate it from other fibers. The panel saw great opportunities to branding cotton, as well as to differentiating different types of cotton. SUPIMA was cited as a successful branding experience.

The delegate of COLOMBIA asked the ICAC Secretariat to create a glossary of the terms used in cotton promotion across alternative initiatives to improve the communicating strategy of the sector. The delegate of UGANDA expressed his support for the request from the delegate of COLOMBIA. The delegate said that the Ugandan delegation has been requesting that the ICAC organize a session on organic cotton production for 3 years. In UGANDA, promotion of organic cotton production without the use of inorganic pesticides resulted in tremendous yield losses due to high pest pressure. The delegate of Uganda questioned the viability of organic cotton production. Panel members indicated that partnerships between retailers and upstream suppliers should provide answers to how to improve sustainability and make it work for farmers. However, it was noted that in India and Turkey yields in organic and conventional cotton production systems are similar.

The delegate of KENYA commented on the apparent contradiction between TURKEY's refusal to recognize biotech seeds as a sustainable technology, and Turkey's sourcing most of its imports from the United States, where biotech cotton is widely adopted and not segregated from conventional cotton.

Noting that some NGOs are claiming that cotton should not be recognized as a natural fiber because of the use of biotechnology, the CHAIR asked panel members to comment. The panel found no merit in not calling biotech cotton natural. The Chair asked if any countries felt that cotton should not be described as a natural fiber, and seeing no objections or comments, he concluded that the ICAC defines cotton as a natural fiber regardless of production methodology or seed technology.

The delegate of POLAND inquired about the effect of high cotton prices on retail designs, and she commented that lab tests found traces of chemicals used in cotton production and metals in cotton fabrics imported into POLAND, which undermine the perception of safety in cotton textile products among consumers. The panel concluded that the potential to pass along higher cotton prices to consumers depends on consumers' disposable income. The panel was unable to comment on the traces of chemical residues on textiles without knowing more about the particular examples. It was noted that tests conducted annually by the Bremen Cotton Exchange for many years show that chemical residues from cotton production are not detectable on samples of lint at levels above those for food products in the European Union.

The delegate of BRAZIL indicated that the panel would have benefited from having invited speakers from mass-merchandisers targeting low-end consumers.

The Chair apologized for having to shorten the discussions because of time limitations. He thanked the ICAC and all members of the Panel for their participation in the discussion. The meeting was adjourned at 11:15 hours.