

Supporting Sustainable Cotton through Existing Supply Chains

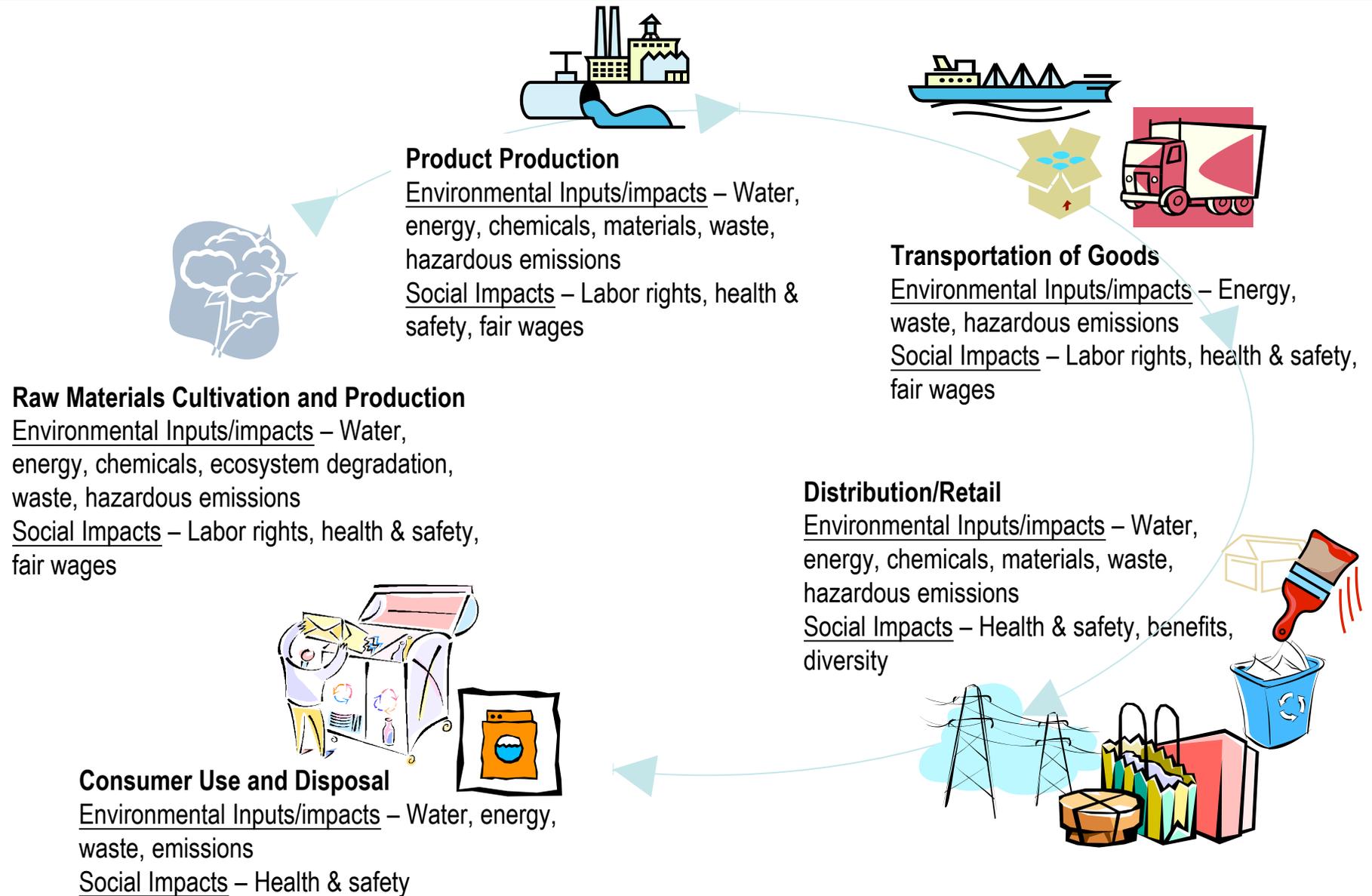
Cotton Council Incorporated Sustainability Summit
November 4-6, 2009

liz muller, llc
www.lizmuller.com

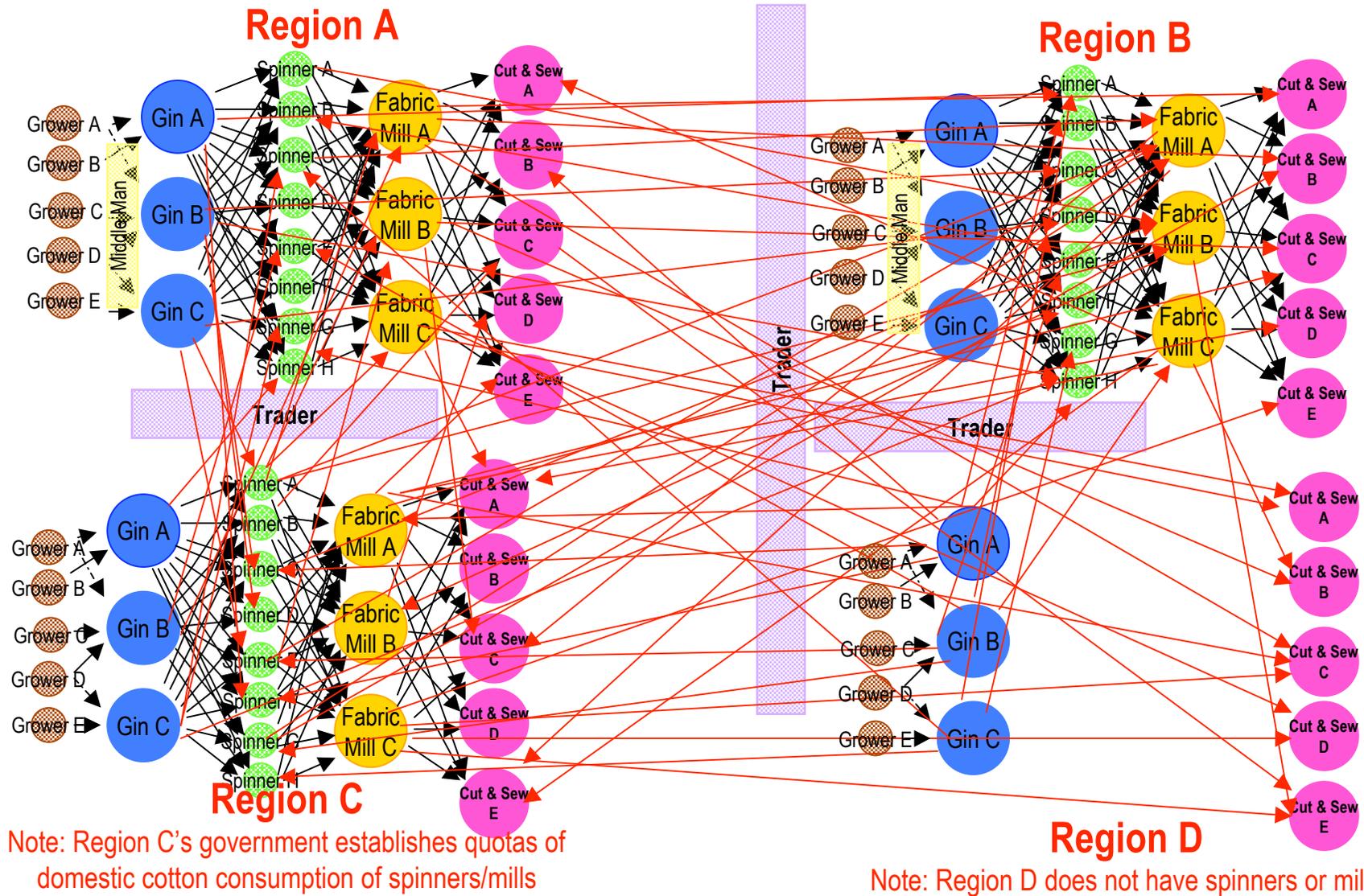
Introduction

- Responsible brands must promote social equity and reduce environmental impacts associated with cotton production and processing.
- The cotton supply chain is complex and offers limited traceability.
- BCI's supply chain system is an example of how to build on existing systems and processes.
- Marketing trends indicate opportunities beyond certification and labeling schemes.
- A brand's sustainable product strategy may include of a variety of efforts and sources of sustainable cotton.

Businesses are expected to understand and address social and environmental issues throughout their entire supply chains



The cotton supply chain is one of the most complex supply chains



Note: Region C's government establishes quotas of domestic cotton consumption of spinners/mills

Note: Region D does not have spinners or mills

It is important to know how a commodity is sold, transported, transferred, documented, and processed today

We can view the wide variety of seed cotton supply chains as falling into one of three categories:

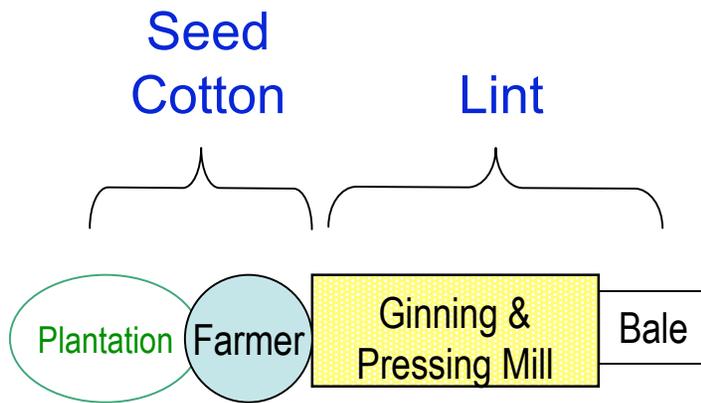
Segregated: Farmer-ginner and custom ginner (e.g., Brazil). Cotton is segregated and farm-level origin can be traced.

Coordinated: A central entity provides inputs, credit, transportation, and/or purchases seed cotton (e.g., West Africa). The central entity may hold exclusive purchasing rights for cotton.

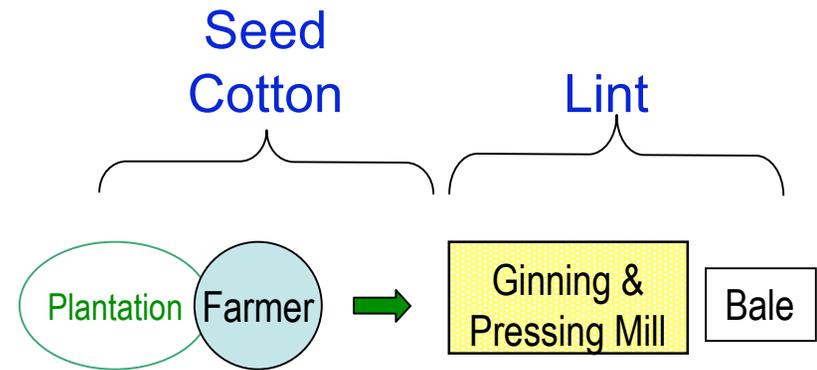
Aggregated: Farmers sell seed cotton to one of many village merchants and/or at local markets. Cotton is mixed at multiple stages and traceability is limited (e.g., India and Pakistan).

Segregated supply chains primarily consist of ginner farmers or farmers who have their cotton custom ginned

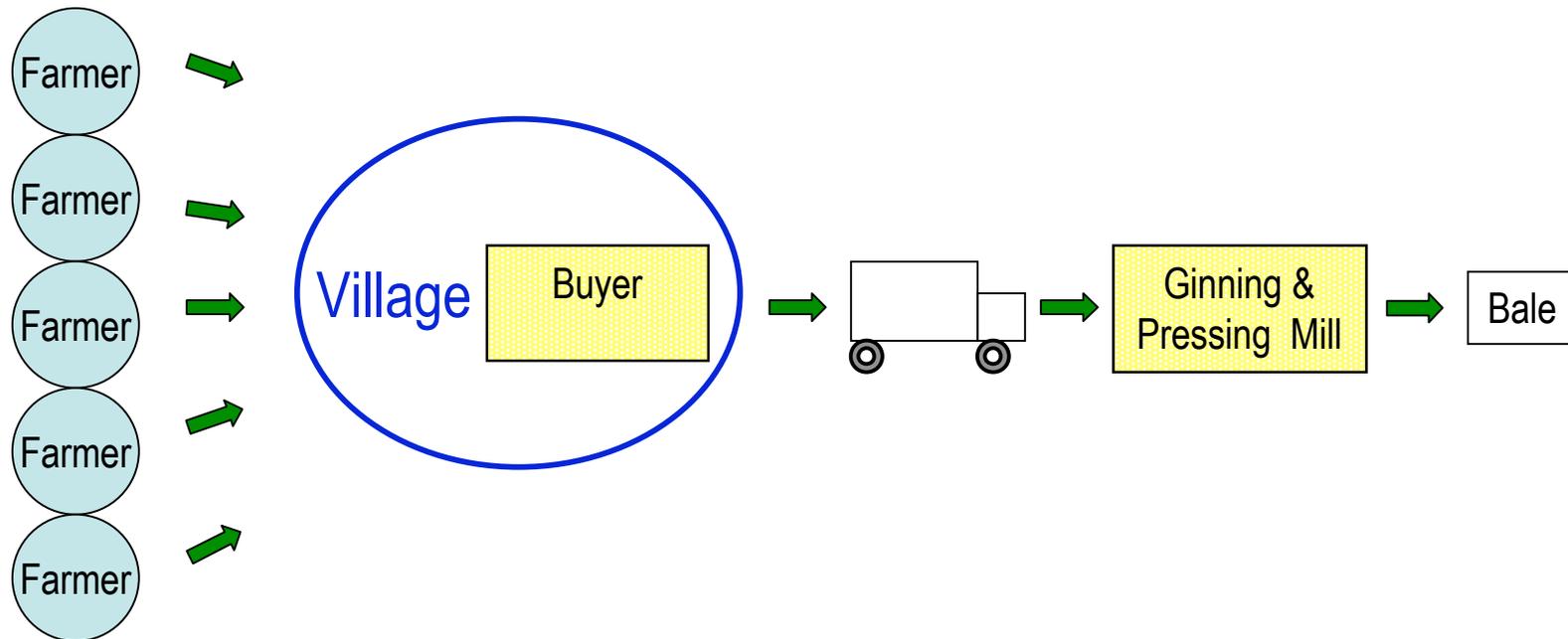
Farmer-Ginner



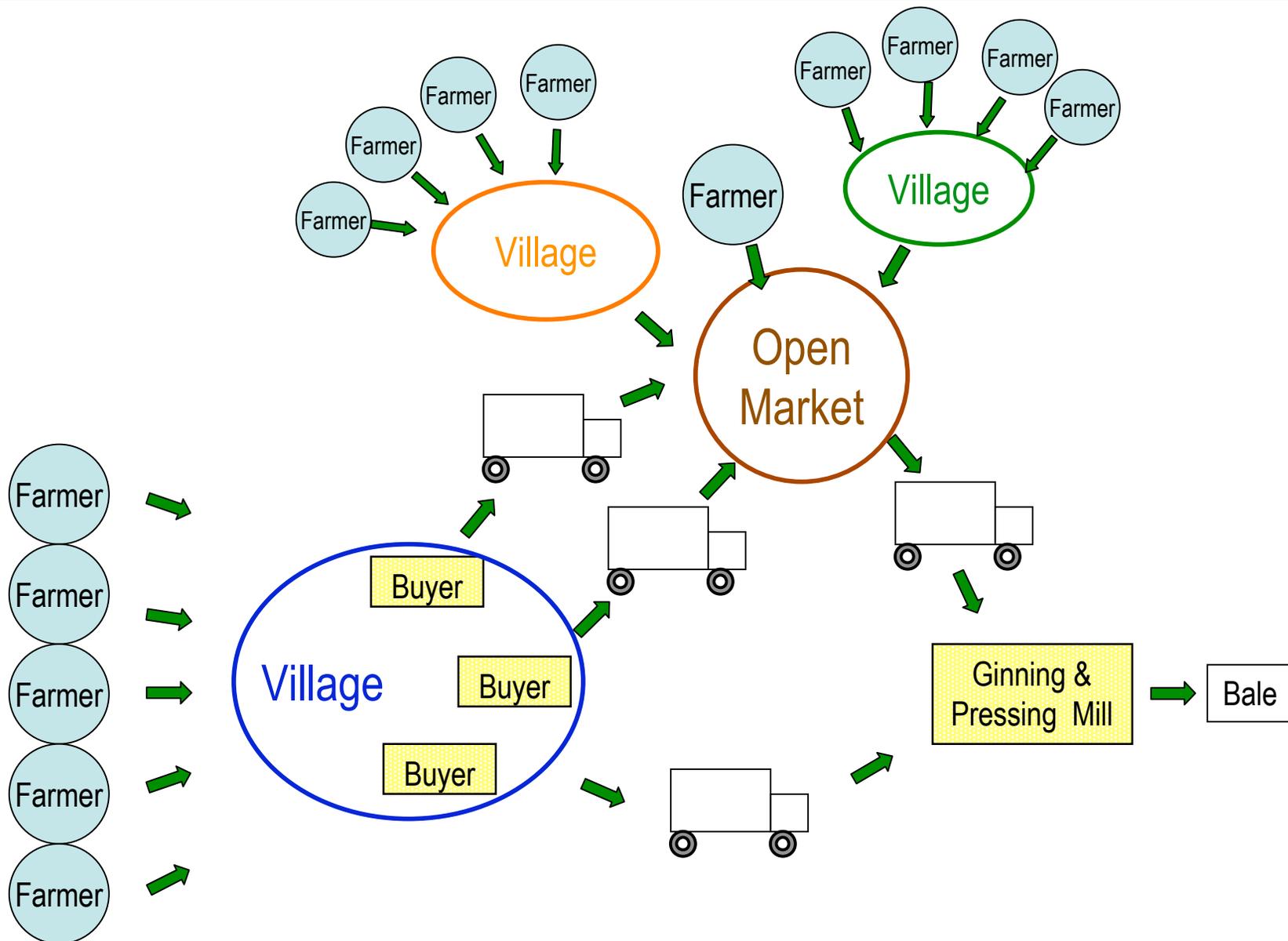
Custom Gin



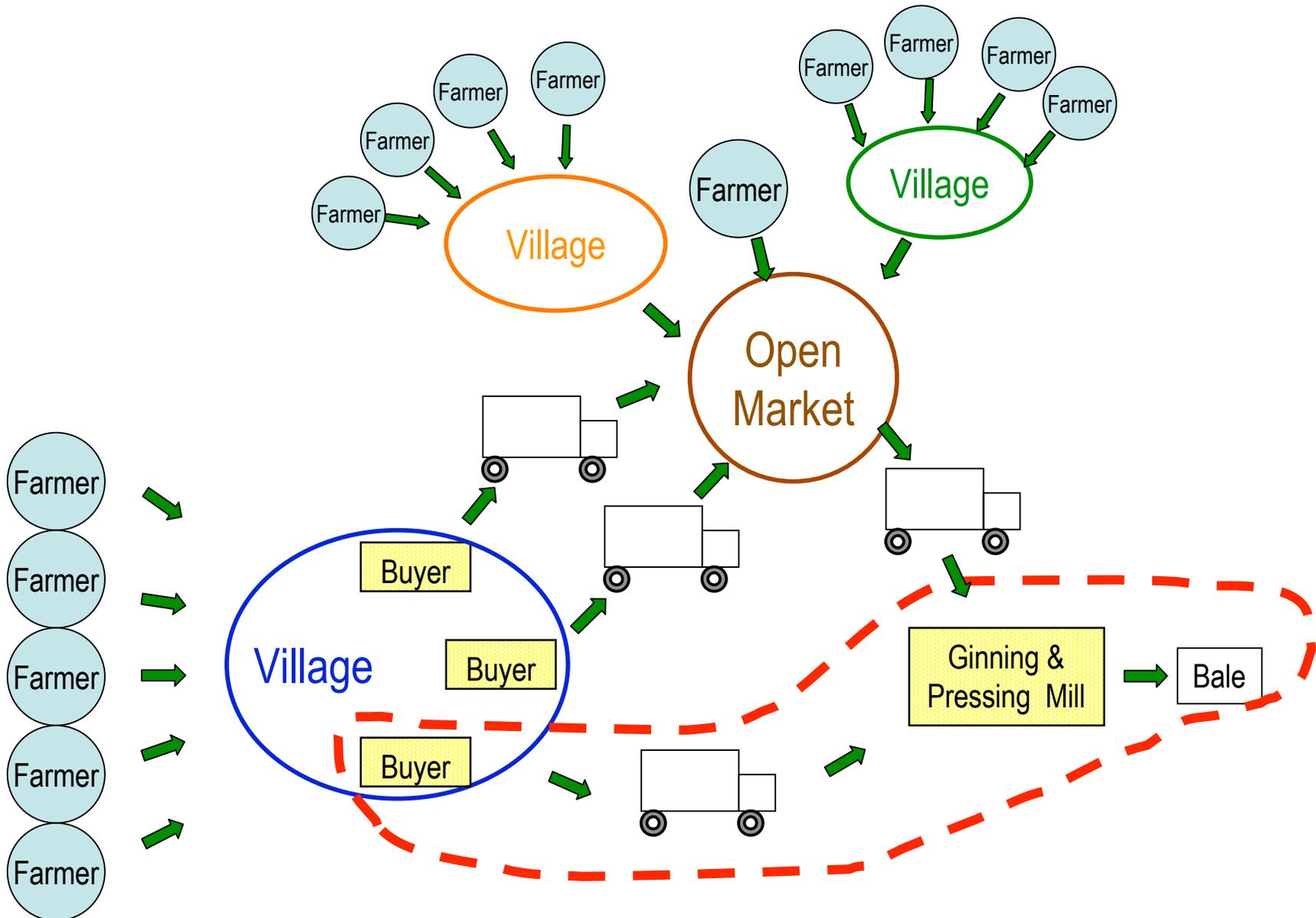
In coordinated supply chains, a central entity picks up seed cotton in villages and deliver it to their gins



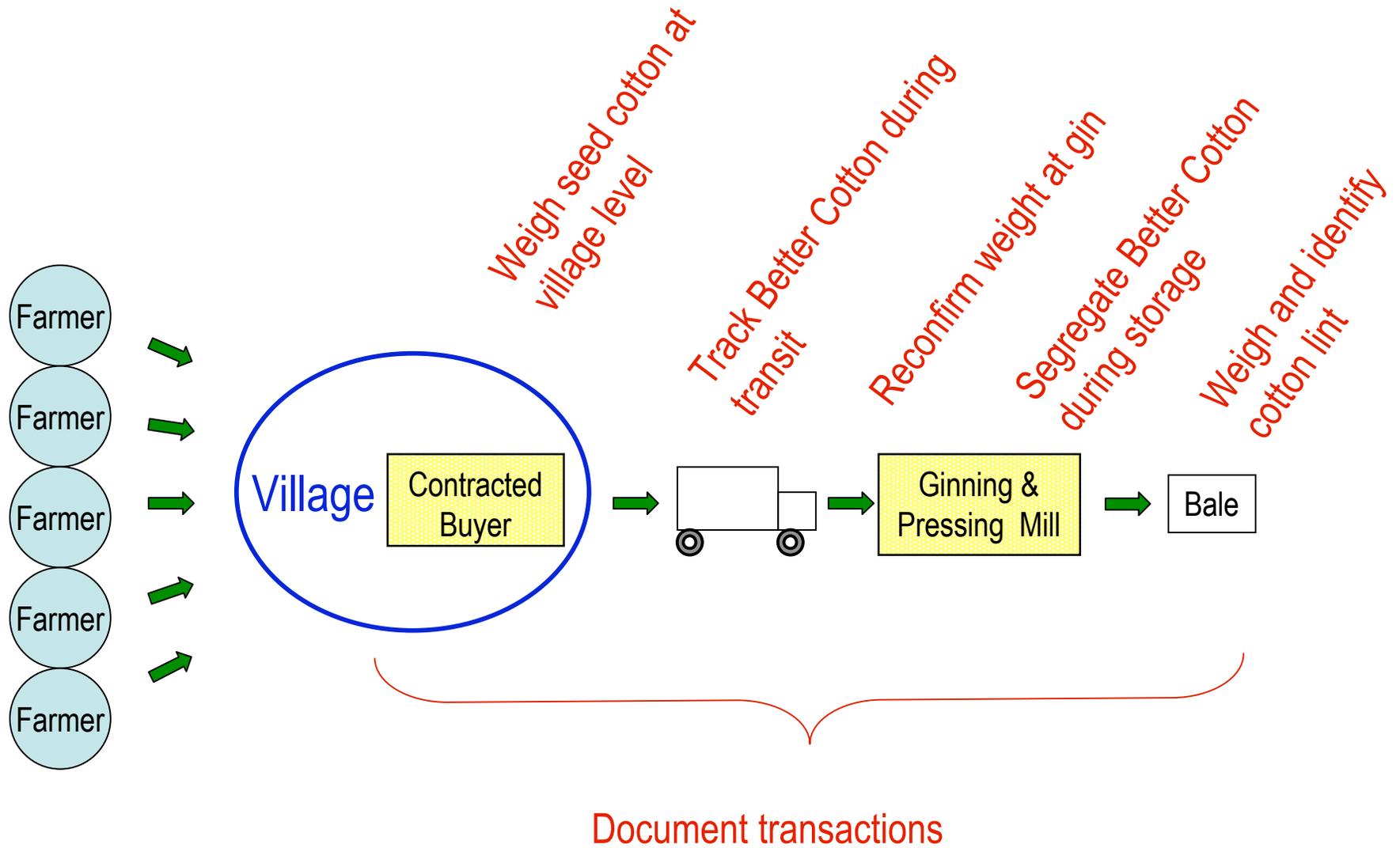
In an aggregated supply chain, seed cotton can be mixed with other cotton at various stages, resulting in limited traceability options



BCI's supply chains system will focus on coordinating efforts between the farm and gin to create a bale of Better Cotton



BCI will establish an auditable system that segregates cotton originating from village-level programs



Marketing trends are shifting - different communication vehicles allow for different program designs

Level of Communication	Key Audience	Potential Vehicles	Supply Chain System
Garment	Consumer	Garment label	Identity preservation Mass balance
Brands	NGOs Media Consumer Employee	CSR report Corporate/brand websites In-store marketing CSR, retail, industry forums	Identity preservation Mass balance Book and claim
Partners	NGOs Media Consumer Employee	CSR report Corporate/brand websites In-store marketing CSR, retail, industry forums Media	Mass balance Book-and-claim
Industry	NGOs Media Consumer	Retail, industry forums Media	Mass balance Book-and-claim

Sample of existing sustainable cotton initiatives

Global Initiatives

Better Cotton Initiative
Fair Trade
Organic
Cotton made in Africa

Other efforts

Better Management Practices (Australia)
Field to Market (US)
Sustainable Cotton Project (US)
Conservation Cotton Initiative (Africa)
Uzbekistan boycott

Conclusion

- Working within existing supply chain system will save money, limit resource drain, and better enable industry-wide support.
- Brands should empower their sourcing departments to promote sustainable cotton production and demand.
- Applying resources to farm-level capacity building activities will more efficiently mitigate business risks, reduce impacts and improve cotton production.
- Brands should communicate their efforts in an authentic manner that builds brand value and offers financial rewards.
- Brands' sustainable cotton strategy may include of a variety of sustainable cotton efforts.

Questions and discussion

liz muller, llc

T: +1.415.924.2335

M: +1.415.609.9040

Email: liz@lizmuller.com

Skype: [lizmullerllc](https://www.skype.com/people/lizmullerllc)

www.lizmuller.com

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