



**Cotton Value Chain:
“Local Innovations for Global Prosperity”**

MINUTES

3RD OPEN SESSION

PSAC: Private Sector Guidelines for Policy Making on Traceability SUNDAY, 3 DECEMBER, 11:00 TO 12:30

Chair: Mr. Peter Wakefield, CEO, Wakefield Inspection services, Taiwan.

The session commenced at 11:00.

Mr Wakefield opened the session by providing information of what the PSAC is and how it works. He added that this year, the PSAC focussed on traceability.

Mr Francisco Ferreira Dos Santos presented the Recommendations from the Producers and Ginners Committee, saying there can be no impact nor positive change without proper and secure traceability, which is why the cotton industry supports it. On the main challenges is that current traceability solutions start with the bale (gin) level, but complete traceability must start with the farm. Most of the available traceability solutions start at gin level, and some of country-specific traceability solutions don't certify outside their countries of operation.

Mr Jerzy Kotwas presented the recommendations by the PSAC's Permanent Committee on Textiles and talked about some of the challenges the industry faces, including a fragmented supply chain; unintended consequences; lack of access to traceability solutions; audit fatigue and compliance issues; and the gap between developed and developing countries for implementing traceability solutions. He further highlighted that it is a long-term process and there is a possibility of an 'intent to action' gap — for example, 70% of consumers say they would prefer to buy a sustainable product, but only 20% actually make that purchase. It happens because consumers do not believe what brands tell them.

Mr Cliff White presented the Recommendations from the Merchants and highlighted concerns from his committee, including industry complexity, the lack of creative solutions, and the fact that no single solution is sufficient to provide complete traceability. Some government regulations are retrospective measures and go into effect the day they are announced. He added that there is difficulty in auditing regions where traceability is not a legal requirement, and it's especially difficult to know the origins of cotton, especially with blends. The real risk depends on the assessment of the fibre. If a man-made fibre looks

like it is more sustainable and easier to trace, cotton will lose market share. He added that the traceability should fibre-forward and the costs of its implementation should be taken into consideration.

Ms Chandrima Chatterjee presented the recommendations from Brands and Retailers and talked about the positives of the traceability regulations, saying it is a very encouraging time because technology and regulatory forces are creating a convergence of factors that amplify the need for traceability among brands and retailers. She also covered some concerns including a possible monopoly among the large retailers; inaccurate risk mapping systems; the impact of costs on small and mid-size businesses; and short timeframes when adjustments need to be made.

The concluding remarks by the chair were the PSAC were that the cotton and textile value chain recognises traceability, sustainability, and responsibility for its potential to create a positive impact for people and planet. He said the PSAC recommended that traceability and sustainability should go hand in hand and that cotton not be seen as just another fibre used in textiles, but a sector that supports the livelihoods of millions of farmers, traders, shipping and warehousing entities, factory workers, and retailers across the globe, and often is the only source of income for many poor households. Members of the PSAC understand that no traceability standard is sufficient to provide complete credibility, and that the goal should be to make things easier for companies and customers to reduce costs and promote widescale adoption. Special consideration should also be given to small-scale farmers, as well as small and mid-sized textile and retail businesses. Governments should consider working together as much as possible to create a globally acceptable definition of 'sustainable cotton' and should consider providing different — yet fair and firm — timelines for developing and underdeveloped countries to adopt and adapt to the regulations. Governments and international organisations should collaborate by providing funding and resources to launch traceability and sustainability initiatives, and the supply chain must take the lead in implementing, sustaining, and further developing these initiatives going forward, thereby ensuring that the costs are not borne by the producers.

The session closed at 12:30.

Summary Paragraph

The cotton and textile value chain recognises traceability, sustainability, and responsibility for its potential to create a positive impact for people and planet, where traceability and sustainability should go hand in hand. At a minimum, governments should consider subjecting man-made fibres to the same levels of traceability and sustainability standards as natural fibres to create a level playing field. Cotton is not just another fibre used in textiles, but a sector that supports the livelihoods of millions of farmers, traders, shipping and warehousing entities, factory workers, and retailers across the globe, and often is the only source of income for many poor households. It is also vital in supporting the economies of many developing nations, so special consideration should be given to

small-scale farmers, as well as small and mid-sized textile and retail businesses. No single traceability standard is sufficient to provide complete credibility, and as a result, governments should encourage standardising the processes for rules systems, utilising validation tools to make the process as simple as possible. The goal is to make things easier for companies and customers to reduce costs and promote widescale adoption. A key component of this is the implementation of individual bale identification. Consideration must also be given to fibres that are blended. This will help in reducing 'audit and reporting fatigue'. Currently available traceability technologies are both expensive and technologically challenging for small holder farmers and smaller industrial units to implement and can eat into their already-tight margins. Governments should consider providing different — yet fair and firm — timelines for developing and underdeveloped countries to adopt and adapt to the regulations. Governments and international organisations should collaborate to take the initiative by providing funding and resources to launch traceability and sustainability initiatives, and the supply chain must take the lead to implement, sustain, and further develop these initiatives going forward, thereby ensuring that the costs are not borne by the producers. Please refer to the full statement at www.icac.org/Committee/PSAC.