



AUSTRALIAN
COTTON

TRACEABILITY GUIDELINES

- FOR BRANDS SOURCING AUSTRALIAN COTTON -



INTRODUCTION

The traceability of raw materials through cotton supply chains has become a very important issue for brands and retailers wanting greater levels of visibility around where products originate. It's a fast evolving area that has proved a challenge for many commodities, including cotton.

In sourcing Australian cotton for your products, you are choosing high quality, contamination free cotton fibre, produced with the highest environmental and social standards. You may also have chosen to label your products with the Australian Cotton Mark(s). But how do you ensure the cotton in your products is actually Australian?

Cotton Australia places the onus around traceability of Australian cotton on the brands and retailers making the claim, and also requires traceability evidence as part of the Application to Use the Australian Cotton Mark(s). The processes used to establish traceability for Australian cotton vary between brands, but there are a number of common elements.

This guide is designed as a starting point for brands and retailers on how to go about supporting claims in relation to Australian cotton. It is hoped that it will help brands:

- Ask the right questions.
- Understand where, what and how evidence could be collected to support provenance claims.
- Determine what types of checks and balances could be implemented at the different stages of the manufacturing process.



THE NEED FOR TRACEABILITY AND TRANSPARENCY

Brands and retailers are increasingly expected to understand their supply chains, and be transparent about where products are being made right back to raw material production.

Cotton Australia recognises that traceability is very important and that company shareholders and consumers increasingly want assurances that on-product claims about Australian cotton can be properly verified. The ability to verify claims that your product has been made with Australian cotton is important for brand protection and risk management, for both your brand and Australian cotton.

The Australian Competition and Consumer Commission provides advice that *'businesses should have a reasonable basis for making country of origin claims and be able to substantiate their claims if need be.'* For this reason, Cotton Australia recommends that all care be taken to establish traceability systems and put appropriate checks and balances in place before making any claim about the use of Australian cotton.



CURRENT SITUATION

Australia can trace a bale of cotton back to the field in which it was grown, but beyond the spinning mill traceability for Australian cotton becomes more complex as the fibre is often blended with cotton from other countries. While Cotton Australia can assist with traceability from the farm to the spinning mill, it's the brand's responsibility to establish the traceability for Australian cotton supply chains from product back to country of origin.

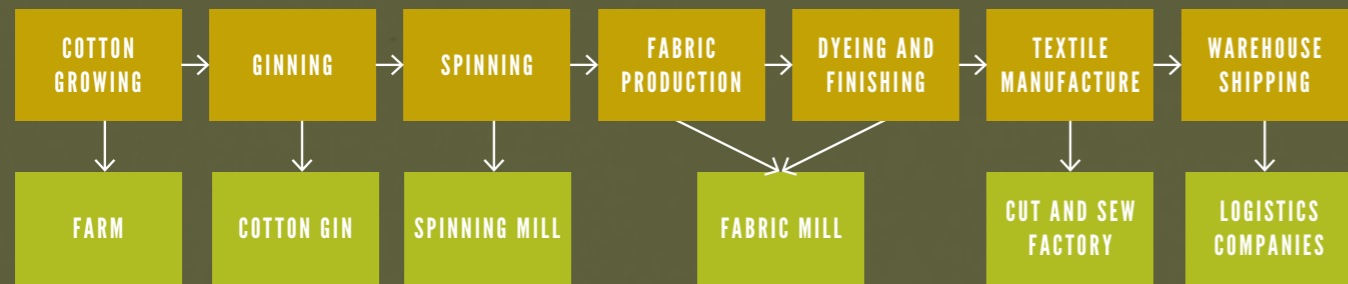
There are a number of commercial, technology-based solutions for cotton traceability either in development or available to the market now. These include blockchain systems, software solutions, and the insertion of traceable fibres and DNA markers at time of ginning. While these products are becoming more readily available, the reality is that for most brands, cotton traceability remains a largely manual process that relies on the provision of evidence by people in businesses at various stages of production.

This of course has inherent risk, and can be open to abuse by unscrupulous businesses that can potentially blend cottons from many origins, falsify documents etc. This is why Cotton Australia recommends sourcing from businesses you have long-term, trusted relationships with and that auditing processes are put in place to ensure traceability processes are being followed.

This guide outlines the types of traceability evidence that could be collected at each stage of the manufacturing process.



STEPS IN THE COTTON MANUFACTURING PROCESS



PRINCIPLES FOR YOUR BUSINESS TO CONSIDER

- What are our traceability objectives and purpose?
- How much visibility of our cotton supply chains do we have now?
- Who will be responsible for establishing and managing traceability for Australian cotton? (Internal personnel, sourcing offices)
- Where do we have people on the ground that could help?
- Could the auditors used for other factory verifications (eg social compliance) also audit traceability processes for Australian cotton?
- Do we have internal systems in place to collect and store traceability information?
- Assess level of comfort...how much verification are we happy with?
- What resources are required to establish, oversee and audit traceability?
- What's our relationship like with our cotton supply chain partners? (Level of trust, history etc)
- Which suppliers do we think/know can deliver traceability for us in a robust, trusted way?
- Can we use an existing supply chain or do we need to shift?
- What is our commitment to Australian cotton – one-off product, medium to longer term – therefore, how much do we want to invest in this?
- What are our timelines?



COTTON AUSTRALIA'S ROLE IN TRACEABILITY

SUPPORT BRANDS TO ESTABLISH AUSTRALIAN COTTON SUPPLY CHAINS

As brands well know, cotton supply chains can be very complex. A single brand is most likely to have multiple cotton supply chains for a variety of cotton products, located in a multitude of countries. A cotton product is also likely to move between a number of factories during production, sometimes transported between countries during these processes.

Australian cotton is sold as a raw commodity to a spinning mill. Cotton Australia maintains a list of spinning mills that commonly purchase Australian cotton. Some of these vertically integrated. This list is regularly updated and can be made available to retailers, brand owners and manufacturers wanting to source Australian cotton. This is often a good starting point for brands, as they may already be using spinning mills that deal in Australian cotton.

FACILITATE USE OF THE AUSTRALIAN COTTON MARK

Brands wanting to 'call out' Australian cotton in their products must apply to Cotton Australia to use the Australian Cotton Mark(s). This is a simple process that requires supply chain transparency and traceability evidence for the production processes used to make the products. Cotton Australia administers the Australian Cotton Mark(s), and provides approval to use it on products.

VERIFICATION OF AUSTRALIAN COTTON BALES

The Australian cotton industry has a system in place to identify where each bale of cotton is grown and ginned. Each bale of Australian cotton that enters the market is graded (to assess quality) and labelled with a unique bale identification number and barcode identifier. This information stays with the bale until it reaches the spinning mill.

When a brandowner, retailer or manufacturer can supply the bale tag numbers for the Australian cotton used to produce a run of yarn (and where the merchant and farmer are happy to participate) Cotton Australia can verify the raw cotton input is from Australia.

GETTING STARTED

Establishing supply chain traceability for any product, including Australian cotton, can be a daunting and complicated process. The good news is brands using Australian cotton have reported that once the work is done up front, systems are in place and suppliers are familiar with your requirements, the process becomes much easier. It's also important to note that suppliers are being asked for this type of information ALL THE TIME, and more and more... and if they can't provide you with the processes or evidence you need there are plenty of competitors who can!



WHERE TO START?

Here are some suggestions:

1

SUPPLY CHAIN MAPPING

While not always feasible, supply chain mapping is an important first step in establishing traceability systems for cotton and other raw materials. It's preferable as a starting point to establish all of the suppliers, factories and spinning mills for each Australian cotton product rather than relying on the word of Tier 1 suppliers.

A number of commercial companies can assist with supply chain mapping.

2

ASK QUESTIONS WITHIN YOUR BUSINESS

Particularly with the larger brands, there may be people in other departments who have been through this before and have good knowledge, lessons and tips to share. This may seem obvious, but seek the counsel of others to avoid duplication.

3

CHOOSE SUPPLIERS THAT:

- You know and trust, and have been dealing with for a long time
- Are already using Australian cotton and have traceability systems and processes in place
- Can provide the documentation and transparency you require
- Are vertically integrated – this can sometimes help take out some of the complexity and risk (but not always!)

4

BEFORE MAKING AN ORDER OR AS PART OF THE TENDER/PRICING PROCESS:

Ask suppliers to demonstrate their proposed traceability processes for Australian cotton, along with the types of evidence that will be provided at each step in the supply chain.



TIER 1 SUPPLIERS

This section outlines the types of questions that can be asked, procedures and evidence that can be requested at each stage of the manufacturing process.

Supply Chain Role

Tier 1 suppliers source finished cotton products for a brand customer, to a set of specifications including that they be made from Australian cotton. (It's recognised that many brands don't yet have much supply chain visibility beyond Tier 1, making the traceability issue more difficult.)

Types of Traceability Procedures

- Brands can place responsibility on Tier 1 suppliers to establish traceability systems and provide the traceability evidence required to prove claims about Australian cotton
- This requires a significant level of trust, and is not recommended as the best approach. Brands need to ensure they are satisfied that the documentation provided from each step in the process is robust, current and will meet traceability requirements (ie handing responsibility to Tier 1 suppliers who don't do the right thing may not stand up as a defence if there's a case brought against a brand).

Types of Documentation / Evidence that can be requested

- See below for the types of documentation and evidence that could be requested/coordinated by your Tier 1 suppliers

Questions to ask

- Have you coordinated Australian Cotton traceability processes for other customers? Other commodities? Other cotton identity programs?
- What assurances can you give that the documentation provided will meet our traceability requirements?
- Will you charge extra for this service?



FARM – COTTON GIN

Supply Chain Role

Grow, harvest (farm) and process (gin) raw cotton fibre into 227kg bales of Australian cotton for export

Types of Traceability Procedures

- Each bale of Australian cotton is labelled with a unique bale identification number and barcode identifier, inserted at time of harvest
- This information stays with the bale until it reaches the spinning mill, allowing traceability back to the gin

Types of Documentation / Evidence that can be requested

- When a brandowner, retailer or manufacturer can supply the bale tag numbers for the Australian cotton used to produce a run of yarn (and where the merchant and farmer are happy to participate) Cotton Australia can verify the raw cotton input is Australian. Brands and Retailers need to remember that just because a mill can provide Australian cotton bale numbers, it does not guarantee that this cotton was used to make the yarn or that the cotton was not blended with other cotton. To be more confident additional evidence should be sought, as outlined below.

Questions to ask

- Cotton Australia will ask gins/merchants to verify Australian cotton bale numbers



SPINNING MILL

Supply Chain Role

Process cotton fibre into cotton yarn – ship to fabric mill

Types of Traceability Procedures

- Spinning mill takes delivery of Australian cotton bales with unique bale tag identification number and barcode identifier attached
- Spinning mill can label and physically segregate/separate raw Australian cotton in the laydown and production line spinning processes
- Spinning mill can relate Australian cotton bale numbers to eventuating yarn lot numbers
- Spinning mill can provide data on weights of raw cotton in, and weights of cotton yarn out (yield information)

Types of Documentation / Evidence that can be requested

STANDARD DOCUMENTS

- Bill of Lading (title to the goods) from Australian cotton merchant
- Commercial invoice, packing list and/or certificate from cotton merchant to spinning mill detailing bale numbers shipped, shipment date, number of bales, weight etc
- Bale by bale packing list – documenting the bale numbers and individual bale weights

ADDITIONAL DOCUMENTS

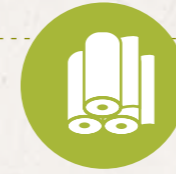
- Certificate of Origin: these certificates may be issued by the shipper in some cases the buyer may request an official Chamber of Commerce certificate
- Phytosanitary Certificate: Some importing countries require this certificate as part of government to government import requirements. It is issued by ~~Australia's Department of Agriculture, Fisheries and Forestry~~ and certifies that the cotton bales have been inspected according to appropriate official procedures and are considered to be free from the quarantine pests specified by the importing contracting party

FURTHER EVIDENCE

- Documentation or certificate from spinning mill to fabric mill declaring XXX bale numbers were used to make XXX yarn lot numbers and were delivered to XXX fabric mill on XXX date
- Photographic evidence including:
 - Delivery of Australian cotton bales
 - Australian cotton bale tags
 - Australian cotton labelled and physically separated at the mill (signage on lines, storage etc)
- Documentation showing weight of Australian cotton raw fibre before yarn processing, and weight of yarn after processing (yield assessment)

Questions to ask

- What are your procedures for keeping Australian cotton physically separate?
- What evidence can you provide that this process is in place?
- Can you provide photographic evidence?
- How do Australian cotton bale numbers relate to the yarn lot numbers? Ie how do you connect the bale numbers to the eventuating yarn lots made from Australian cotton?
- Will you store the Australian cotton yarn separately as it awaits transport? How?
- Do you allow spot checks/audits to ensure processes are in place?
- Have you participated in Australian cotton traceability processes for other customers? Other commodities? Other cotton identity programs?



FABRIC MILL

Supply Chain Role

Knit and/or weave cotton yarn into fabrics – ship to garment producer

Types of Traceability Procedures

- Fabric mill takes delivery of Australian cotton yarn from the spinning with yarn lot numbers attached
- Fabric mill can label and physically segregate/separate ~~raw~~ Australian cotton on delivery, storage and throughout the knitting or weaving production line processes
- Fabric mill can relate Australian cotton yarn lot numbers to eventuating fabric lot numbers
- Fabric mill can provide data on weights of cotton yarn in, and weights of cotton fabrics out (yield information)

Types of Documentation / Evidence that can be requested

- Purchase orders specifying 100% Australian cotton yarn
- Signed declaration from yarn supplier that the yarn is made from 100% Australian cotton
- Purchase order, invoice or certificate from spinning mill to fabric mill detailing yarn lot numbers, date, weight etc
- Documentation or certificate from fabric mill to garment factory declaring XXX yarn lot numbers were used to make XXX fabric lot numbers and were delivered to XXX garment factory on XXX date
- Copies of stock registers
- Photographic evidence including:
 - Yarn delivery of Australian cotton, clearly marked
 - Australian cotton labelled and physically separated at the mill (signage on lines, in storage etc)
 - Documentation showing weight of Australian cotton yarn before fabric production, and weight of fabric after processing (yield assessment)

Questions to ask

- What are your procedures for keeping Australian cotton physically separate?
- What evidence can you provide that this process is in place?
- Can you provide photographic evidence?
- How do Australian cotton yarn lot numbers relate to the fabric lot numbers? Ie how do you connect the yarn lot numbers to the eventuating fabric lots made from Australian cotton?
- Will you store the Australian cotton fabrics separately as it awaits transport? How?
- Do you allow spot checks/audits to ensure processes are in place?
- Have you participated in Australian cotton traceability processes for other customers? Other commodities? Other cotton identity programs?



CUT AND SEW FACTORY

Supply Chain Role

Cut, sew and finish fabrics into finished products – ship to brands/retailers



Types of Traceability Procedures

- Garment factory takes delivery of Australian cotton fabric from the fabric mill, with fabric lot numbers attached
- Garment factory can label and physically segregate/separate Australian cotton fabric on delivery, storage and throughout the cut, sew and finish production line processes
- Garment factory can relate Australian cotton fabric lot numbers to eventuating garment order numbers
- Garment factory can provide data on weights of cotton fabric in, and weights of cotton garments out (yield information)



Types of Documentation / Evidence that can be requested

- Purchase orders specify 100% Australian cotton fabric.
- Signed declaration from fabric supplier that the fabric is made from 100% Australian cotton
- Purchase order, invoice or certificate from fabric mill to garment factory detailing fabric lot numbers, date, weight etc
- Documentation or Certificate from fabric mill declaring XXX fabric lot numbers were used to make XXX garment numbers and were delivered to XXX brand/retailer on XXX date
- Copies of stock registers
- Records of garment order numbers and how they relate to fabric lot numbers
- Photographic evidence including:
 - Fabric delivery of Australian cotton, clearly marked
 - Australian cotton labelled and physically separated at the factory (signage on sewing lines, at pressing, at quality control check points, in storage, packaged goods etc)
 - Documentation showing weight of Australian cotton fabric before garment production, and weight of garments after production (yield assessment)



Questions to ask

- What are your procedures for keeping Australian cotton physically separate?
- What evidence can you provide that this process is in place?
- Can you provide photographic evidence?
- How do Australian cotton garment order numbers relate to the fabric lot numbers? Ie how do you connect the fabric lot numbers to the eventuating garment orders made from Australian cotton?
- Can you store the Australian cotton garments separately as it awaits transport? How?
- Do you allow spot checks/audits to ensure processes are in place?
- Have you participated in Australian cotton traceability processes for other customers? Other commodities? Other cotton identity programs?



VERIFICATION OPTIONS

Part of the traceability process should be the implementation of checks and balances to reduce risk. A number of options are available and these will depend on budget, human resources, geographic proximity to factories and mills, levels of trust in supply chain relationships and levels of surety required. Cotton Australia recommends that a brand establishes systems to a level that gives a great degree of comfort that Australian cotton can be verified throughout the supply chain.

VERIFICATION OPTIONS

INCLUDE (but are not limited to):

- **PRE-AUDITS** can be carried out to confirm whether or not a supplier is able to meet your traceability requirements – before an order is placed.
- **SCHEDULED, ON-GROUND AUDITS** of mills and factories to oversee production of the Australian cotton yarns, fabrics and finished goods. These can be conducted by third party auditors, sourcing agents or offices or by head office personnel. Auditing such as this is common-place in factories, and should not pose a problem for your suppliers.
- **SPOT CHECKS.** Once the system is in place, it's a good idea to do spot check audits to ensure processes are being followed. Again, these can be conducted by third party auditors, sourcing agents or head office personnel. Some suppliers may not permit such audits taking place.
- **PHOTOGRAPHIC EVIDENCE.** Mills and factories can be asked to provide photographic evidence of the processes in place. For example Australian Cotton bales with bale tag numbers attached, sewing lines with signage clearly distinguishing Australian cotton, clearly labelled boxes stored separately etc.



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DISCLAIMER

This material has been prepared for information and educative purposes only, and is not intended to provide traceability advice. The content does not constitute legal advice or recommendations and should not be relied upon as such.

MORE INFORMATION

If you have any questions about the information contained in this document, the Australian Cotton Mark Application process or its associated traceability requirements, please contact:

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