



Better Cotton Physical Traceability FAQ

Last Updated: 3 February 2025

These questions were asked by merchants attending an information session on the 13.1.25 at Cotton Australia.

Q: Of the 40 retailers already committed to sourcing physical Better Cotton, how much of their volumes are they indicating they would like to convert from mass balance to physically traced Better Cotton?

A: All of it, noting that these major retailers are based in Europe and North America, and are responding to legislation

Q: How long does it take retailers to sign up to the new system?

A: Retailers just need to complete a simple form which take minimal time – the time is in ensuring that their suppliers are also on-boarded in the system

Q: How much does it cost for a retailer to be involved?

A: The activation fee ranges from 4,000 Euros to 110,000 Euros depending on the size of the business. As an NGO, Better Cotton is not looking to make money from traceability. The fees are one-off.

Q: If a grower opts in to Better Cotton physical traceability, can they still sell their BCCUs through the mass balance system as well?

A: Growers can do both, but if they want to sell as physical Better Cotton they must sell to a merchant or spinner that's certified.

Q: Does Better Cotton anticipate that the mass balance model will become redundant?

A: It's anticipated that mass balance will still be required for at least the next 5- 10 years. Currently most Better Cotton is taken up as mass balance. Not all geographies are currently requiring physical traceability (eg: China, Africa, South America).

Q: Can physical and mass balance Better Cotton bales be warehoused together? I.e. can the warehouse continue to be organised by quality grades?

A: Yes, as long as they are identifiable with a unique bale code

Q: In terms of shipping, do the bales in a shipment have to all come from a single farm?
A: No, you can ship from any physical Better Cotton bale from your inventory which can include multiple farmers.

Q: Can physical and mass balance Better Cotton bales be shipped together?
A: Yes, as long as they are identifiable with unique bale numbers, and can be separated.

Q: Does Better Cotton check every transaction that is uploaded into the Better Cotton Platform for physical traceability?
A: Better Cotton checks a sample of all transactions. If issues were found, further checks would be conducted on the companies involved. There are system controls built into the BCP to drive accuracy and high levels of data quality. The recipient of the transaction also checks and acknowledges the transaction in the BCP upon receipt. In future Better Cotton plans to use AI to assist with screening transactions

Q: Can merchants trade physical Better Cotton amongst themselves?
A: Yes, this will be recorded in the BCP as a sale, along with evidence to support the sale

Q: Can we forward sell physically traced Better Cotton without having a grower contract or without having received it from a grower?
A: You can't record such a sale in the BCP, you can only sell cotton from the inventory you have. However, you can forward sell physical Better Cotton at your own risk – it's just not recorded in the system.

Q: Will growers receive a notification from the Better Cotton Platform that some of their Better Cotton inventory has been drawn down? Will they also be told which Merchant made the sale?
A: Growers can opt in to receive email notifications every time a purchase of their cotton is declared in the BCP. The email includes the buyer name, volume information and details on how they can contest the transaction if required. Currently the notification does not specify the type of transaction, but this could be changed if needed.

Q: Is the grower form able to be changed once it's been submitted? (to take into account growers changing which gin they send their cotton to, and how much, split ginning)
A: No, growers just need to specify all the gins that their cotton may be ginned at that season, they don't need to report or register volumes per gin

Q: Can a grower opt out later, even if they have already opted in?
A: The grower could opt out the next season, but in the current season these bales would just be converted to mass balance.

Q: At what time of year does the grower fill out the form?
A: Cotton Australia will ask the grower to complete the form at the same time as their Better Cotton Opt in Form for the 2024-2025 season which usually occurs in late January.

Q: Will the grower be asked to validate that they sold to a particular merchant?

A: Not at the beginning, but this may be introduced later. The merchant will need the grower's Better Cotton number which will act as a password in the BCP – the merchant won't be able to upload the transaction unless they have the grower code. The grower can also choose to receive notifications and contest the transaction if needed.

Q: Will there be an on-site audit at warehouses?

A: Yes, this will be part of the certification requirement. Some audits will be conducted in-person & some online.

Q: Is every site audited? Every warehouse?

A: Yes, every site where physical Better Cotton is stored must be audited, but multi-site audits are possible and permitted. You only need to have a site certified if you wish to store or process physical Better Cotton in that site.

Q: Which certification bodies are available in Australia?

A: Merchants that have registered their interest will be provided with all the required information on certification on the 3 February 2025. In the meantime, the Better Cotton website provides this list of certifiers, some of whom operate in Australia: <https://bettercotton.org/third-party-verifiers/> /

Q: Is there a cost to certification?

A: Yes, this is determined by the various certifying bodies - you choose your certifier. Certification lasts three years

Q: In terms of certification at warehouses, can one audit apply to a number of certifications (eg RegenAgri, organic)?

A: Not sure yet, joint audits may be possible in the future although if the chain of custody rules vary, each scheme may need its own certification

Q: Will the on-product Better Cotton label change?

A: Yes, it will no longer be permissible for brands and retailers to attach mass balance labels to products. As of 1st January 2025, Better Cotton will no longer approve these labels. Brand and retailers are required to have these labels out of circulation by May 2026. There will be a new label, with new messaging that can be applied to physically traced Better Cotton products. These new rules will apply globally, regardless of local legislation.

Q: What is Better Cotton seeing in terms of demand for Better Cotton from brands and retailers?

A: The general global picture is that retailers are ordering less due to the current economic climate, retail is soft and this applies across all fibres. However due to the fact that the major brands and retailers have sustainable cotton commitments, and that Better Cotton represents by far the largest share of the sustainable cotton offering, demand growth of 10% per year is still occurring. It is expected that with the introduction of new global legislation, demand for physically traced Better Cotton will continue to increase. Due to other factors such as human rights issues for cotton production in other parts of the world such as India and Brazil Better Cotton expects increased demand and an opportunity for Australian Better Cotton.

Q: Are brands expecting an increase to their cost of goods when they specify physically traced Better Cotton? Are they prepared to pay more?

A: Generally, brands don't want to pay more and will do what they can to prevent an increase in cost. There are many factors that determine this, including the size of the company and the technology they already have established for traceability. Although it's early days, Better Cotton is anecdotally hearing that there is not a huge uplift in cost of goods for traceable Better Cotton.