

AUSTRALIAN COTTON STRATEGIC ROADMAP

This fact sheet is to provide background information on the industry's plans to develop a roadmap to better align industry and customer needs.

BACKGROUND

The Australian cotton industry has for decades improved its on-farm sustainability credentials, producing high quality fibre and successfully exporting the crop to spinners.

During that time the Australian Cotton Shippers Association (ACSA) has implemented export market strategies to promote Australian cotton to spinners, and Cotton Australia has focused on driving demand for Australian cotton with brand and retail customers globally. Alongside this the Cotton Research and Development Corporation (CRDC) has invested in value chain research to better understand customer requirements.

Through this work our knowledge and understanding of our competitors, global markets, customers, other cotton certifications and the global textile industry has deepened. The last 10 years has seen a period of extensive change and transformation for textile businesses globally due to a number of disruptions, drivers, challenges and new legislation being introduced. This has resulted in our ultimate customers, brands and retailers, increasingly focussed on:

- the social and environmental sustainability of cotton
- traceable, transparent supply chains
- independent data to verify claims

For the industry to take full advantage of a changing global fashion and textiles industry, the time is right to consider a number of strategic focus areas to help map a pathway forward.

WHAT IS THE ROADMAP?

Cotton Australia, ACSA and CRDC are collaborating to develop a Strategic Roadmap for the Australian Cotton Industry that will provide clear direction for the industry to:

- reposition itself in a changing global environment
- remain competitive
- further capitalise on investments in research, innovation and sustainability
- create fair and equitable value for farmers and industry
- position the industry for the future
- better align industry needs with customer needs.

The objective is to develop a Strategic Roadmap that:

- Clearly defines the target state (where we want to be)
- Sets out practical and realistic strategies and actions for achieving the target states (how we'll get there)
- Assigns responsibilities for strategies and actions
- Establishes potential investment options, funding models and sources
- Is developed with consensus from key industry bodies including Cotton Australia, ACSA and CRDC

Five key areas of focus:

1. Traceability

2. Sustainably-certified cotton/the myBMP program

3. Human Rights

4. Industry data

5. Australian cotton marketing



Why Do We Need a Roadmap?

The industry is at a critical time in its development. One choice is to continue doing things the way we've always done them. But what if there is more value to be gained by doing things differently? Do we have the programs and systems in place to deliver the product our spinners, brand and retail customers really want? What are the consequences if we do nothing? Are we keeping pace with our competitors?

These are all important questions that are best answered together as an industry. The way forward at this stage is unclear, but our industry organisations have decided there's no doubt the conversations need to be had, and the whole industry will be better placed if we have a clear roadmap for the future that's designed together.

How Will the Roadmap Be Funded?

Cotton Australia and ACSA received ATMAC funding from the Australian Government to invest in a number of activities and programs focused on Market Diversification & Supply Chain Expansion & Education. The development of the Strategic Roadmap for Australian Cotton is funded by this grant, with a small amount of additional support from Cotton Australia, ACSA and CRDC.

How Will the Roadmap Be Developed?

Cotton Australia and ACSA have appointed an external consultant, Aither, to coordinate the project, which will develop over a number of phases and will include broad stakeholder engagement and industry consultation.





Phase 1

Project set up: clarify objectives, stakeholder plan and finalise approach.

Phase 2

Identify and agree on the target state for each focus area including drivers and barriers.

Phase 3

Identify, agree on and prioritise strategic solutions including actions and responsibilities.

Phase 4

Develop Australian Cotton Industry Strategic Roadmap and supporting project report.

Who Will Have Input, and How?

The roadmap process will be led by a cross-industry **Steering Committee** which will provide oversight and advice on its development. The appointed consultant (Aither) will work with and report to this Steering Committee.

A number of **Working Groups**, established around the key issues, will be developed to provide technical input and advice on each issue. Participants will include a wide cross section of industry and external stakeholders and will be appointed by invitation. These participants will attend and provide input to workshops.

One on one interviews will be conducted with additional industry and external stakeholders to clarify target states and solutions.

An **online survey** open to all of the Australian cotton industry, and external stakeholders will test target states and potential solutions and seek additional feedback on the issues.

What's the Timeframe?

February 2023

Target State Workshops

Feb-March 2023

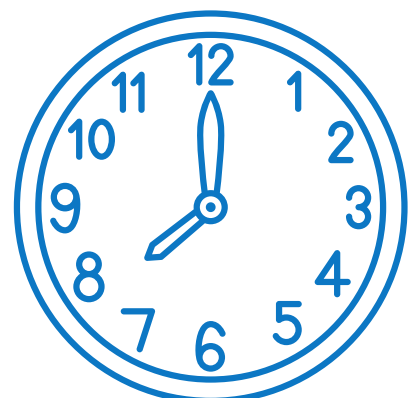
Research phase, stakeholder interviews, industry survey

April-May 2023

Solutions workshops

June-July 2023

Test, refine, draft final report





Traceability

The ability to trace fibres throughout the cotton supply chain is a requirement of many brand and retail customers, including most of the major global brands. Traceability is linked to the need to identify and eliminate supply chain risks associated with human rights and environmental issues, and the need for verified sustainable cotton fibres.

This trend is accelerating as new legislation in the European Union, the United States and other countries is introduced requiring supply chain visibility for market access.

While possible to trace a bale of Australian cotton from the field to the spinning mill, there is currently no connected, centralised or digital system for Australian cotton traceability, and information about origin and quality is not easily accessible for the majority of the crop.

While possible, physical myBMP certified cotton is not generally physically separated or traceable and is therefore not currently promoted to the market in any coordinated way. All other cotton certifications (eg Better Cotton, GOTS organic cotton, U.S Trust Protocol) offer traceability systems for cotton certified under their programs, as do many commoditised cotton competitors (eg Brazil, Egypt, U.S).

The roadmap will answer questions like...

- Can customers make verified claims about Australian cotton/myBMP cotton?
- Does Australia need a traceability system for Australian cotton/myBMP cotton?
- Where and how will value be delivered to farmers and industry?





Sustainably-Certified Cotton/ myBMP

The myBMP Best Management Practices program was established 25 years ago in Australia to transition farmers to more sustainable practices, based on significant best practice research. The program was never structured to offer sustainably certified cotton to the market.

Most of the world's major brands and retailers have 100% sustainable cotton commitments, with un-certified (conventional) cotton unable to access these markets.

Approximately 30% of the Australian cotton crop is sustainably certified via the myBMP (Best Management Practices) program, with the majority un-certified and therefore considered unsustainable and 'not-to-be sourced' by many of the world's major brands and retailers.

Certified cotton from Australia is currently delivered to market via the Better Cotton mass balance system.

The roadmap will answer questions like...

- Does the current myBMP program deliver enough certified sustainable cotton to the market? How do we deliver more of what our customers want?
- If we could start again, how would we build myBMP?
- Does myBMP deliver the future sustainability needs of customers, ie regenerative agriculture?
- Should we be offering physical myBMP cotton to the market or is our partnership with Better Cotton sufficient?





Human Rights

Human rights, living wages, modern day slavery, on-farm/site safety and worker rights in the textile and garment industries have come under particular and increasing scrutiny from governments, NGOs, and consumers.

Brands are under increasing pressure to ensure, and transparently demonstrate their supply chains are free of human rights abuses, from raw material production to finished product.

Human rights abuses occurring downstream in the Australian cotton value chain represent a reputational and market access risk to the Australian cotton industry and to its valued supply chain partners, including brands and retailers. And as a country recognised to have a strong record on human rights, there's also an opportunity to promote these attributes to customers.

The roadmap will answer questions like...

- Are we doing enough to protect the human rights of people on our farms and throughout our supply chains?
- How will new global legislation impact our ability to sell cotton into markets that need proof of no human rights abuses, right back to raw materials?
- Can we verify claims and take better advantage of our strong human rights record on farm?





Industry Data

The Australian cotton industry collects a huge amount of data – on-farm, at the gin, in the classing room and beyond. The CRDC has, along with its research partners, collected sustainability impact data, grower survey on practice changes and other data over decades. ACSA collects data on the quality of the crop, and markets for Australian cotton. The drivers for this data collection have mainly been to drive further improvements on farm – yield, efficiencies, quality and sustainability.

Brand and retail customers are increasingly requiring accessible, accurate, verified data to support the claims they make regarding sustainability, human rights and the origins of their cotton. This is driven by legislation impacting market access, business strategies, ESG and other reporting requirements, commitments to Sustainable Development Goals (SDGs), climate, biodiversity and science-based targets and reporting to shareholders and investors.

The roadmap will answer questions like...

- Are we collecting and reporting data that creates value for customers and industry? Are there gaps?
- Do we need a data system that connects traceability, on-farm data, bale data, reporting requirements?
- How do we ensure the privacy of our data is protected and its value realised?





Marketing Australian Cotton

The promotion of Australian cotton falls with two key industry organisations:

- ACSA and its merchant members market and deliver cotton to spinners
- Cotton Australia, through its Cotton to Market program, positions and drives demand for Australian cotton at brand and retailer level

Compared to our competitors (in particular the U.S and Brazillian cotton industries), other cotton certification programs and other agricultural commodities (eg Australian Wool), the cotton industry's investment in the export marketing of Australian cotton under the Australian cotton brand mark is minimal. There is currently no industry-wide program to promote or deliver myBMP cotton to the market.

This issue will be examined by the leadership of the key industry organisations, as the roadmap develops during 2023.

The roadmap will answer questions like...

- Are we investing enough in the marketing of Australian cotton?
- If not, what are the options for establishing a new model?
- What if we do nothing?



MORE INFORMATION

10

This project is managed by Aither, www.aither.com.au.

It is overseen by an industry Steering Committee made up of representatives from Cotton Australia, ACSA and CRDC.

Support for the project is being provided by the supply chain consultants of ACSA and Cotton Australia. If you have any questions, or would like further information please contact the below.



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A I T H E R



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Shippers Association



CRDC



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