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## COTTON MADE IN AFRICA: FROM THE NICHE TO THE MASS MARKET

By ROGER PELTZER

Eight years ago three pilot projects were launched and a new textile label was born: Cotton made in Africa (CmiA). Those pilot projects have since developed into a comprehensive program. 486,000 farmers in five African countries had been verified according to the CmiA standard by the end of 2012. That year they produced 184,000 tons of cotton fiber. The program currently plans to add at least 180,000 more smallholder farmers and extend to ten different countries: Benin, Burkina Faso, Côte d'Ivoire, Ghana, Cameroon, Malawi, Mozambique, Zambia, Tanzania and Zimbabwe. By 2015 the program is projected to reach at least 4.6 million people in rural regions of Sub-Saharan Africa. This would make it one of the largest programs for fighting poverty in which the German Development Cooperation is involved. An interim report

In June of 2005 around 25 representatives of the Otto Group, the GIZ (German Association for Technical Cooperation, at that time named GTZ), cotton dealers specializing in African cotton and African cotton companies met in a small conference room in Geneva at the behest of the BMZ (German Federal Ministry for Economic Cooperation) and at the DEG's invitation to discuss the sustainability and practicality of establishing an environmental and social standard for African cotton.

The representatives of the Otto Group were interested in significantly expanding their portfolio of sustainable textile products. Sales of their organic cotton products were lagging and those responsible were finding it very difficult to achieve their marketing plans for sustainable products made of organic cotton only. This led the Otto Group to develop the idea of the new Cotton made in Africa (CmiA) standard. The African partners at the table had recently failed in their efforts to drastically reduce the American

cotton subsidies through the WTO and were looking for ways to increase the value of their cotton on the global market.

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The daylong discussion ended in an agreement to initiate three pilot projects in Benin, Burkina Faso, and Zambia. These pilot projects would aim to tie the implementation of the Cotton made in Africa standard to measures that would increase the incomes of African smallholder cotton farmers. The project began as a partnership between private retail companies, cotton traders and private cotton gins in Africa (cotton companies) on the one hand, and public donors like the BMZ, DEG (a German develop-

ment bank) and GIZ on the other. Both parties equally contribute to the financing of the project. NGOs like the WWF and German Agro Action (Welthungerhilfe) were also involved in the development and monitoring of the standard from the very beginning.

#### • A Private-Public Partnership

Now, eight years later, the pilot projects have developed into a comprehensive program. 486,000 farmers in five African countries had been verified according to the CmiA standard by the end of 2012. That year they produced 184,000 tons of cotton fiber. The program currently plans to add at least 180,000 more smallholder farmers and extend to ten different countries: Benin, Burkina Faso, Côte d'Ivoire, Ghana, Cameroon, Malawi, Mozambique, Zambia, Tanzania and Zimbabwe. Representative surveys tell us that each cotton farmer in these countries has seven family members on average. The program will therefore extend to at least 4.6 million people in the rural regions of Sub-Saharan Africa by 2015. This would make it one of the largest programs for fighting poverty in which the German Development Cooperation (EZ) is involved.



*Cotton picker in Burkina Faso*

There is also a stable group of companies that continuously carry Cotton made in Africa in their product lines supplying the demand. Among these companies are Ernsting's Family, the Otto Group, Puma, Tom Tailor, S. Oliver, Tchibo and REWE. Individual companies like the Otto Group are also on the verge of making the transition from sustainable cotton as a niche product to a standard for entire product lines. In 2013, 30% of Otto's proprietary brand of textiles was made of sustainable materials, primarily Cotton made in Africa and organic cotton. By 2020 that figure is expected to be 100%. In 2012, a total of 8,000 tons of cotton was marketed in Cotton made in Africa products, which corresponds to an estimated retail sales revenue of around €140 million for these textiles.

#### • A soaring trend

Of course, 8,000 tons of cotton out of a total export volume of approx. 1 million tons of cotton from Sub-Saharan Africa is still just a drop in the bucket. It was therefore a major development when an extensive cooperation agreement was reached between the Aid by Trade Foundation (AbTF), which supports Cotton made in Africa, and the Better Cotton Initiative (BCI), which is supported by the WWF and by large textile companies like H&M, Adidas, Levi's and IKEA (IKEA alone consumes 200,000 tons of cotton each year).

The Better Cotton Initiative standard is comparable to the CmiA standard; however, it is a global standard and also extends to large scale cotton plantations. CmiA, on the other hand, only works with smallholder farmers in Sub-Saharan Africa.

Since mid-2012, however, Cotton made in Africa cotton may also be marketed as BCI cotton based on the agreement. As a result, 40,000 tons of CmiA cotton was sold via BCI channels in the first half of 2013. It is a soaring trend with companies like H&M and IKEA aiming to purchase all of their cotton from sustainable sources by 2020.

Another key development was that the close cooperation and discussions between the AbTF and BCI led BCI to convert to a volume-based fee model as of mid-2013, a model Cotton made in Africa has been using for years. This means that the individual textile retail companies that work with BCI must also pay a fee of €14 per ton of sustainable cotton that they pur-

chase. These fees are to then be used to finance support for smallholder farmers in Africa and Asia (especially in China, India and Pakistan). This fundamental decision by the BCI was an important milestone in the direction of establishing a sustainable business model for the cotton market which allows for a step-by-step exit from “cross subsidization” through public and private funds (e.g. the Bill & Melinda Gates Foundation and BMZ).

Today, it does not seem unrealistic to expect to see some 170,000 tons of Sub-Saharan African cotton sold through CmiA or BCI by 2016. This would correspond to 17% of the cotton produced in Sub-Saharan Africa and would generate €3.5 million in licensing revenue p.a.

#### • From pilot projects to mass production

The quantitative scope of a program is not “proof” that the program is succeeding in permanently improving the living standards and income levels of hundreds of thousands of smallholder farmers. An analogy from the education debate and practices in Germany can shed light on how great of a challenge it is, not only to be successful in pilot projects, but to actually improve the living standards of a large number of smallholder farmers and to thereby increase the amount of income generated by smallholder cotton production in Sub-Saharan Africa across the board.

Decades ago the education debate in Germany developed the concept of teaching elementary school children in different grades in the same classroom (Maria Montessori, Peter-Petersen). This idea, however, was only practiced in the Montessori and Jenaplan schools for the most part. A major change came in 2000 with the so-called “Pisa Shock.” After the German schoolchildren performed poorly in an international comparison, a marathon of reforms were initiated. One of the changes that came was the widespread implementation of this concept in public schools. The basic idea was that elementary school children should not be strictly separated based their respective grades. Instead, children in 1st and 2nd grade (sometimes even 1st, 2nd and 3rd or 1st-4th) should be taught together. Depending on their learning progress, individual students could spend one, two or three years in one of these mixed grade classes. The goal is to achieve a much stronger

individual development of the students and to thereby systematically integrate the better students in the development of the weaker students. Various German states began implementing this concept in their schools and monitoring the developments. For example, Thuringia introduced the concept in 15 schools that volunteered to be a part of the trial from 2000-2004.

The results were outstanding. The students in the trial schools performed significantly better than those in the non-reformed schools (see Ursula Carle and Barbara Berthold: *Schuleingangsphase entwickeln – Leistung fördern* (“Develop During the First Years of School – Promoting Performance”), Hohengehren 2004). The concept was then expanded to other volunteer schools. The results continued to be positive, though the difference between those schools and the “normal group” was not as notable. Thuringia and many other German states then introduced inter-grade teaching in every school. Now, several years later, it has been found that “international and national studies show no significant difference in the learning performance of students in inter-grade and single-grade learning groups. No general effect for inter-grade learning can be shown.” (Dr. Petra Hanke: *Jahrgangsübergreifendes Lernen in der Schuleingangsphase* (“Inter-grade learning at the start of elementary school”), presentation in Göttingen, 2008).

Some scholars suspect that “relatively slight advantages in the social-motivational area can be found” (ibidem), but that this is very difficult to verify with objective criteria. The point of this example is that it clearly shows that the results of a successful trial model cannot simply be expected to carry over when a program is broadly implemented. And in this example, the reasons why are obvious: There is a big difference between conducting a trial with highly motivated volunteer students, teachers and parents who are excited to take on such a challenge and often receive better resources during the trial phase versus applying the same concept to the masses with teachers with average motivational levels, schools with average resources and students across the wide spectrum of social backgrounds. This so-called “pioneer effect” problem, i.e. carrying over results from a model to the conditions for mass implementation, is not an uncommon occurrence.

The production of organic cotton in Afri-

ca is another example of this. Many donors invested millions of Euros in these projects and were able to demonstrate that it can certainly be profitable for a farmer to grow organic cotton instead of conventional cotton. The production of organic cotton in Africa on a large scale, however, proved to not be a model for success and there was even a significant decrease in production after years of massive financial support.

The reasons are many. First, the market is rarely willing to pay a premium for organic African cotton. There are also few opportunities in Africa to market the other organic products grown in rotation with cotton at a premium price. The most important factor, however, is that organic farming is a highly complex operation that requires enormous expenditures for external consultation in the first few years of its implementation. For some projects, the consultation costs were greater than the added value for the farmers. This is what makes it so difficult to establish the widespread production of organic cotton in Sub-Saharan Africa.

This is not an argument against organic cotton in general. For example, in India, where the farmers tend to be better educated, organic cotton has developed into a mass product. But the example of organic farming in Africa shows that it makes a huge difference whether a pilot project conducted with a few hundred / thousand farmers or a concept for mass production serves as the basis for demonstrating whether a model is effective or not. Cotton made in Africa endeavored to develop a product for the mass market and to thereby improve the living standards for a large number of cotton farmers in Africa in the medium and long term. This goal constitutes a very ambitious challenge.

#### • The first “lessons learned” in impact measurement

The project has been rolling out to a much larger base under the “Competitive African Cotton Initiative (COMPACI) and with the help of the Bill & Melinda Gates Foundation and the BMZ since 2009. The yields per hectare have increased in most of the COMPACI countries during this period.

Is that alone proof of the effectiveness of the CmiA/COMPACI-supported training and financing measures to assist smallholder farmers? Unfortunately, it is not.

During that same time period the aver-

age world market prices for cotton also increased. A side effect of this development was that the farmers paid closer attention to their fields in the hopes of achieving higher yields. Seed was sown two or three times, weeds were rooted out with greater care and all of the necessary spray applications were carried out. The higher world market prices lead to higher per hectare yields. The effectiveness of CmiA/COMPACI can only be proven when a representative group of farmers participating in the project is able to achieve significantly higher yields than a representative control group.



*A cotton field in Zambia*

A major insight gained in the implementation of CmiA/COMPACI so far is that it is much more difficult to measure its impact than the participants imagined at the start of the project. For instance, the layout of a smallholder cotton farmer's field is so irregular that estimating its size in hectares can be a guessing game. For example, a survey in Malawi showed that the farmers' estimates deviated from the actual field sizes measured with GPS by +/- 50%. This makes it impossible to accurately measure per hectare yields and the income generated by farming. In order to reliably measure the effectiveness of the program, it is necessary to use GPS to precisely measure the size of every field.

There are several other reasons why it is often difficult to measure the per hectare yield. In many cases the farmers sell their cotton to different dealers or they give it to family members to avoid having to pay back loans from the cotton company. The yields they report are often modified to suit their own interests and it is very difficult to verify how much they actually harvest. Depending on the situation, professionally trained harvest appraisers may be the only suitable option for determining the actual yield. The students who are often sent to the villages to gather the harvest data are not able to do this. It

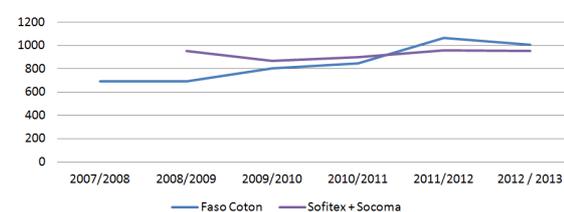
is also difficult, if not impossible, to select an appropriate control group.

A project can quickly spread to every farm in the country if it is attractive to the farmers. Sometimes there are other donors or similar programs involved with farmers in the control group. It can also be very difficult to make sure that people aren't "comparing apples and oranges." For example, a very carefully planned survey conducted in Malawi in 2012 showed that the trained COMPACI farmers had achieved a slightly lower per hectare yield than the untrained control group. At first this result seemed to be catastrophic for the program, but it was later revealed that the COMPACI farmers were farming in an entirely different climate zone than the control group farmers. The seed that was selected for planting by the government grew much more poorly in the climate zone farmed by COMPACI participants. Developing an appropriate research method and design that allows for definitive conclusions to be drawn on the effectiveness of the measures entails a long learning curve for such a broad project.

It is, however, possible to draw a few definitive conclusions on the impact of the COMPACI project. For instance, studies with control groups in Burkina Faso and Benin showed significantly higher yields and income levels among farmers trained in the use of compost (organic fertilizer) and integrated pest management, as well as among farmers supported by COMPACI both in the production of cotton and of maize grown in crop rotation, than among farmers in the control group. The results show that the cotton productivity of COMPACI farmers in Burkina Faso was 24% higher than that of the farmers in the control group (on average 1,107 kg/ha vs. 895 kg/ha) and that the cotton productivity of COMPACI farmers in Benin was 15% higher than that of the control group farmers (1,134 kg/ha vs. 985 kg/ha). Furthermore, 70% of the COMPACI farmers in Burkina Faso that used compost for fertilizer also used the same compost for their maize and reported a large increase in their maize harvest. When evaluating these results, it is, however, important to remember the "pioneer group effect" mentioned above. So far only Burkina Faso has produced any comprehensive conclusions regarding the project's impact that can be applied across the board to all of the farmers. There the cotton sector is divided into concession areas in which the farmers only work with one company. In

Burkina Faso, with its long tradition of growing cotton, the production figures and the per hectare yield figures are reliable, partly because all of the country's fields have been measured with GPS devices. COMPACI/CmiA was only active in one of the three concession areas in Burkina Faso up until 2012. By looking at multiple time periods, we can compare the performance of Faso Coton, the COMPACI partner, with that of its competitors in the other concession areas (control groups). The graph shows the results of this longitudinal comparison.

**The development of cotton yields in Burkina Faso (kg/ha)**



Source: COMPACI survey Sofitex + Socoma

The results show that the COMPACI partner, Faso Coton, was able to increase yields from 650 kg to nearly 1,000 kg/ha during the observation period, while the yields among the control groups remained more or less the same. Since the data are based on a longer period of observation, exceptional factors and differences in weather patterns are most likely compensated for in the results. These results are all the more notable, considering the COMPACI partner's production zone is traditionally the zone with the lowest production potential in Burkina Faso.

This positive development among the COMPACI partner farmers does not necessarily demonstrate causality regarding the quality of the COMPACI program, but it does, however, show that the management system of the partners with whom COMPACI cooperates in Burkina Faso is better than that of the competition. When analyzing the results from Burkina Faso, it is important to account for the fact that the basic conditions for cotton production stipulated by the government remained relatively stable during the observation period. The very erratic government policies for cotton found in other Sub-Saharan countries like Malawi resulted in heavy fluctuations in cotton production. These external factors greatly overcompensate the effects of

the program and make it all the more difficult to conduct a comparative analysis of its impact.

Today COMPACI/CmiA works with all of its project partners to record the key production data and other indicators through representative sampling. This creates a basis for integrating effective impact monitoring in the future verification of Cotton made in Africa.

#### • The long and weary path to the shelves of retail stores and mail-order catalogs

At the start of the Cotton made in Africa project everyone was very optimistic that huge volumes of CmiA products would quickly land in retail stores. The sustainability promise and price model would ensure that this would happen. Unlike Fair Trade, Cotton made in Africa aims to be traded at the world market price with the textile retailers paying a relatively “low” license fee at the end of the value chain. In reality, however, the path to Cotton made in Africa becoming a core part of the products carried by the partner retailers proved to be much rockier than initially expected.

For example, Cotton made in Africa found itself confronted with the same challenges as organic products and Fair Trade products. The fact that Cotton made in Africa was seen as a special project and that all of the participants in the very complex value chain had to adjust to a new delivery chain made the product much more expensive than conventional goods in the early stages despite the theoretical claim to deliver at the global market prices. Additional costs of up to 15% were not rare. Since the buyers for the retailers in the project were generally paid based on the profit margin they achieved, few were interested in purchasing Cotton made in Africa. This often resulted in a situation where the top management board and those responsible for the company’s CSR pushed for CmiA, while the employees making the purchasing decisions within the company resisted.

This is no longer the case. Some retailers like Tchibo have changed their internal incentives system. They now reward employees for purchasing sustainable cotton. The Aid by Trade Foundation also offers a sophisticated delivery chain consultation service to the retailers involved in the project. The volume of turnover is increasing and synergies with the BCI standard are helping. And the more sustainable cotton becomes a normal, mass product across

the entire value chain, the more actual or imagined additional costs can be avoided. By the way, this is also the main reason why supermarket chains are able to offer organic products at very affordable prices today.



*Transporting cotton in northern Cameroon*

But there is still one major challenge for sustainable cotton to overcome. Right now Cotton made in Africa and BCI function according to what is known as a mass balance system. This means the consumer cannot be certain that the specific t-shirt he or she is buying is actually made of CmiA cotton. The customer “only” knows that for whatever volume of CmiA cotton goods are purchased, the same amount of CmiA cotton will flow into the system. This means the spinning mills must prove that they purchase however as much CmiA cotton as is required to make the CmiA goods that they produce over a given time period. The BCI standard works the same way.

From a marketing and transparency standpoint, a hard identity preserve system, like the one used under Fair Trade, would be much better. Under that system, a Fair Trade t-shirt is always made of Fair Trade cotton. Introducing such a system across the board would, however, be met with a number of difficulties at present. For example, it would be very difficult to ensure such traceability in the highly complex

textile value chain. Producing the desired yarn quality for textile production also often requires that cotton fibers of different origins be mixed together. This, along with the comparatively low volume of sustainable cotton on the market, generally means that using a hard identity preserve system is associated with a relatively high price tag. And the brands and retailers that are targeting the more affordable segment of the mass market can hardly afford to pay that price without risking a loss in their market share.

The rapid advancement of information technology, the future possibility of determining the origin of the cotton in a textile product in the laboratory, and the fact that sustainable cotton is becoming more and more prevalent on the market do, however, give hope that CmiA and BCI will be able to convert to a hard identity preserve system in the next 5-7 years. Consumers, especially retailers, hope that this will be the case and are pushing in that direction.

#### • A gold standard or a mass standard?

A contrast between “high quality” gold standards and mass standards, which are considered to be not as good, is developing in the public debate on fair and sustainable standards among NGOs and consumer associations. Comparative studies rate the various standards more highly the more ecological and fair the respective standard is. The “Label Guide” issued by the Christian Initiative Romero (CIR) in Muenster, Germany, which has been well received by the general public, is a prototypical example of this. This type of public debate is problematic for a number of reasons.

First of all, the rating of a standard says nothing about its outreach. For example, only a few hundred tons of African Fair Trade cotton are sold on the market. The situation isn’t much brighter for organic African cotton. Both initiatives reach a few thousand farmers at best, while Cotton made in Africa and BCI work with hundreds of thousands of farmers and are currently able to guarantee tens of thousands of farmers that their cotton will be purchased.

The heavy focus on “gold standard products” in the public eye is a problem, because it presents an unresolvable dilemma for many consumers. For example, the head of a large nursing care facility in the state of NRW in Germany, who is also a member of CIR, cannot justify systematically purchasing the “expensive”

gold standard products with his budget and cannot pass the added costs along to the patients, many of whom are on a moderate income. The majority of the world’s smallholder farmers find themselves in a similar situation. They are generally unable to change in order to meet the criteria of the many so-called gold label standards over night and are therefore excluded from participation. Interestingly enough, some of the same NGOs that advertise to consumers to purchase these so-called “gold standards” also express their concerns when it come to high standards for small scale producers on the production end.

Furthermore, the scientific data that are currently available do not always show that the so-called gold standards actually produce the positive effects for farmers that are claimed (see Steering Committee of the State of Knowledge Assessment of Standards and Certification: Final Report Toward Sustainability – The Roles and Limitations of Certification, Washington DC 2012).

CmiA and BCI opted for an approach with low entry barriers that allows for partners (cotton companies) to be verified with regards to meeting certain minimum standards (e.g. exclusion of worst forms of child labor) in order to gain access to the market. However, they are then required to prove that they are continuously taking steps to improve the sustainability of their cotton production. For example, the use of pesticides that are listed as extremely dangerous to humans by the WHO (“WHO list of highly hazardous and hazardous pesticides”) is forbidden. Over time the partners must also ensure that the use of pesticides in cotton production is systematically reduced by introducing integrated and biological pest management measures. There is a similar requirement in place for soil preparation. The soil preparation practices must be adapted step-by-step by introducing minimal tillage, the use of organic fertilizers, and crop rotation with leguminous plants so that the soil fertility can be preserved and improved.

The challenge that this approach brings is, of course, maintaining an incentive among the partners in Africa to ensure that the ecological and social standards continue to improve after being permitted into the marketing channels for sustainable cotton. This is all the more challenging, as it is often more difficult for them to continue to make such improvements and stay on board than it is to for them to meet the

minimal requirements and become part of the standard.

One answer to this challenge is to continuously raise the minimal requirements. This is one of the paths CmiA has taken in recent years. Another solution would be to tie the allocation of funds for training smallholder farmers generated by license fees to the performance of the African partners. This approach, however, can lead to the exclusion from support for those who need it most, while the “top performers” – those who are the least in need of support – benefit financially. As convincing as the approach of structuring the standards to keep entry barriers low while continuously and systematically pursuing and implementing improvements is, there are many learning curves to overcome in its practical implementation.

● **Sustainable progress requires a great deal of patience**

The public eye and the donors are interested in seeing concrete data as to whether or not specific measures in development cooperation are producing results - the sooner the better as far as they are concerned. The pressure brought on by these expectations can be positive, as it forces those involved to continuously prove the cost-benefit ratio for a program or project.

On the other hand, advancing smallholder farming operations in the cotton sector for an entire continent, restructuring complex value chains, and acquiring buyers for sustainable raw materials in the mass market for textiles requires a lot of time, perseverance and patience. External conditions, often controlled by the governments, are constantly changing, especially in Africa. The high volatility in the global prices for cotton as a raw material also presents major problems over and over again.

The greatest achievement brought about by the Cotton made in Africa initiative has been to bring everyone involved in the cotton value chain in and around Africa into a working relationship that is becoming more and more self-sustaining: cotton producers in Africa, including the cotton farmers representatives; the cotton traders; textile retailers; social and ecological NGOs; and representatives of government institutions for development cooperation. This working relationship has become an effective platform for everyone to share their experiences and learn. The business model, training

manuals, workshop results and publications are a public good that are drawing growing levels of interest and are publicly accessible via the AbtF and COMPACI websites ([www.cottonmadein africa.org](http://www.cottonmadein africa.org) und [www.compaci.org](http://www.compaci.org)).



*A t-shirt made of CmiA cotton*

The conversion of the BCI partner initiative to a volume-based business model also raises the probability of seeing the Cotton made in Africa system soon generating sufficient licensing revenue and fees to allow for a step-by-step exit from “cross subsidization” by donors. This “systematic solution” will also allow the efforts to support the cotton farmers and a large part of rural Africa to operate independently of economic cycles, trends and the whims of donors. The fight against poverty is a marathon that must endure through the changes in donor preferences and global market price cycles if it is to be successful. We must continue to hope that the critical public eye and consumers will honor the efforts of the Cotton made in Africa initiative so that the demand for CmiA products will continue to grow.

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# Cotton made in Africa: Questions and answers

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## **What is the importance of sustainable cotton standards on the world market for cotton?**

Apart from the organic cotton standard that has been around for some time, sustainability standards for cotton are relatively new and have only played a role on the market for a few years. They have, however, gained significant importance recently. Right now approx. 25,000 tons of Fair Trade cotton, 165,000 tons of organic cotton, 184,000 tons of Cotton made in Africa cotton, and 890,000 tons of BCI cotton are available on the global market. That amounts to 14% of the world's cotton trade. Just four years ago, that number was less than 3%.

In Sub-Saharan Africa cotton is grown almost entirely by smallholder farmers and is a major economic factor (the extent varies, of course, by region). The approx. 1.7 million cotton farmers in Sub-Saharan Africa cultivate 5% of the entire agricultural surface area of Africa. In the cotton producing countries, 15% of agricultural land on average is used to grow cotton. The introduction of sustainability standards for cotton can therefore reach a significant portion of the rural population of Africa. And Cotton made in Africa currently extends to approx. 15% of the cotton production in Sub-Saharan Africa. When it comes to assisting smallholder farmers in Africa, cotton is just as important of a crop as coffee and cocoa.

## **What is the point of bringing another standard like “Cotton made in Africa” to the market when there is already Fair Trade cotton and organic cotton?**

The answer is simple: Fair Trade and organic cotton only account for a few thousand tons of cotton grown in Sub-Saharan Africa. Only a few thousand farmers benefit from those standards. The majority of the Fair Trade and organic cotton found in German retail stores comes from India and Turkey. The reasons for the low percentage share, or the “disadvantage” of African cotton in Fair Trade and organic cotton, is structural in nature.

Currency exchange rates and the way in which Fair Trade calculates minimum purchase prices to ensure a “living wage” makes Indian cotton more affordable than African cotton. This

is also why textile retailers in search of Fair Trade cotton go to India. Another reason why Fair Trade cotton is not an appropriate solution for Africa is that the farmers and their coops in Africa are organized in different ways from country to country. There is little sense - and doing so would create new disparities - in paying 5% of the farmers a higher price through the Fair Trade program and not to the other 95%, because there is not a strong enough demand for this cotton.

Organic cotton, on the other hand, requires a high degree of complexity in the operational and technical management of the farms in order to be competitive. The other crops grown in rotation with cotton also need to be marketable as organic products with a higher price tag. The targeted use of beneficial organisms for pest management purposes is also complex in terms of “producing” these beneficial organisms. India is much more advanced in this regard. Furthermore, the global market for organic cotton has hardly paid any premium prices for organic cotton for some time. This is another reason why many African farmers have given up on producing organic cotton.

Cotton made in Africa, on the other hand, was designed to meet the real life demands of smallholder cotton production in Africa. The exclusion criteria are relatively moderate and the system is inherently designed for continual improvement over the years. Cotton made in Africa had reached 486,000 African farmers by the end of 2012. Cotton made in Africa is also currently working with a partner in Tanzania to develop a CmiA organic standard. There are still a number of lessons to be learned from organic farming such as how to use locally available plant extracts for pest control. There is still a lot of potential to tap into.

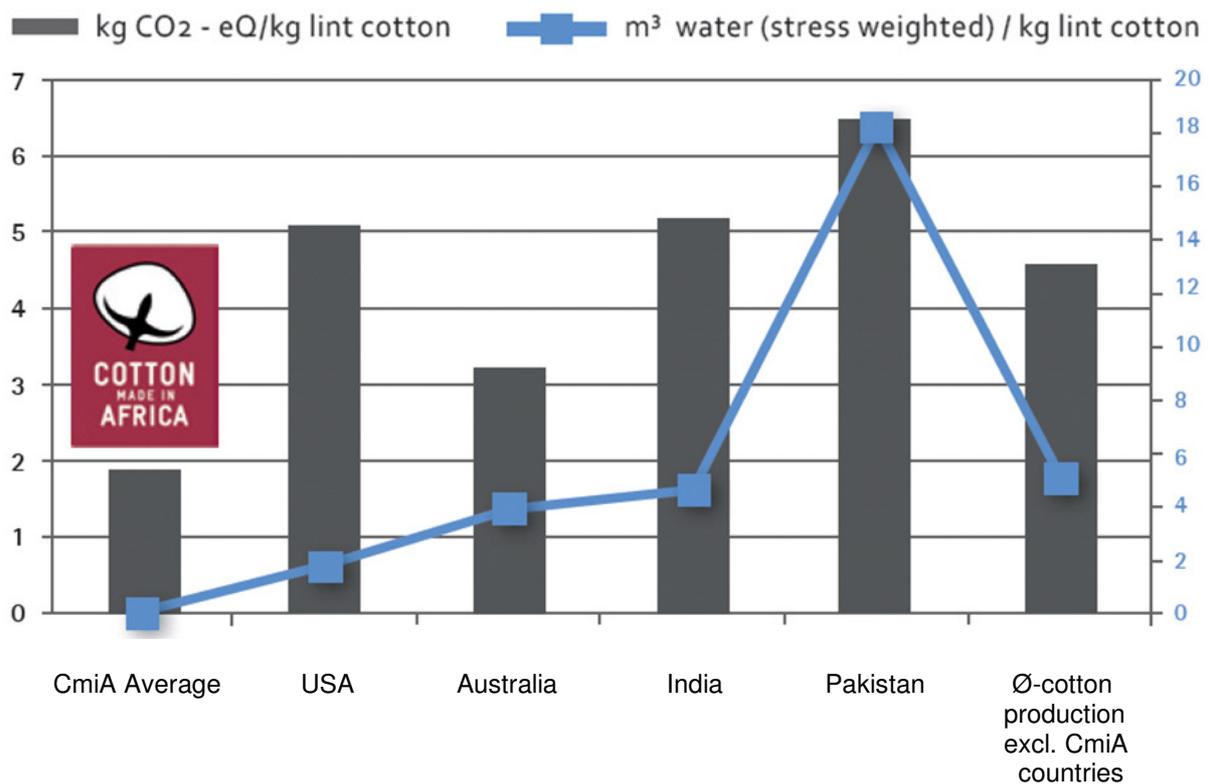
**After years of numerous NGOs and development institutions investing in the certification and verification of agricultural products, many are drawing a sobering conclusion. Whether or not verification and certification in and of themselves are actually improving the living conditions of smallholders is being questioned more and more often. What is the**

**answer to this from the perspective of “Cotton made in Africa?”**

First of all, it is a big step for Cotton made in Africa to be able to help ensure that no land that

is under natural or countryside conservation is used to grow cotton, that certain toxic pesticides are no longer used and that children are not forced to work as slaves in the cotton harvest.

**Ecological footprint: Comparison of CO<sub>2</sub> and water consumption<sup>1)</sup>**



<sup>1)</sup> Stress weighted water consumption: Water consumption that is potentially damaging to the environment

Source: The Carbon and Water Footprint of Cotton made in Africa, Systain Consulting 2013. This study shows that CmiA cotton has a much smaller ecological footprint than cotton grown under conventional agricultural practices in other regions of the world. Compared to conventional production methods, CmiA saves 2,000 liters of water per t-shirt through its practices, such as only using natural irrigation. Compared to cotton production in Pakistan, CmiA also reduces greenhouse gas emissions by more than 70%.

The standard is also designed to require local Cotton made in Africa partners to ensure that the farmers they work with systematically invest in improving soil fertility, for example, by mulching, using organic fertilizers, or practicing minimal tillage. In time this should lead to an increase in yields and increase the income the farmers generate. It is true that verification and certification in and of themselves are not necessarily improving the living conditions of small-holder farmers. Doing so requires many years of

investing in “human capital development,” e.g. training agricultural extension officers, developing appropriate training materials and providing support for building compost pits or anti-erosion walls. The Cotton made in Africa brand also aims to systematically generate revenue through the licensing fees that are to be paid by the retailers, which will then be reinvested in small-holder farming in Africa. This is how the Cotton made in Africa concept fundamentally differs from many other standards.

**There is a lot of fluctuation in the price for cotton on the global market right now. This raises the question as to whether or not the investments in promoting sustainability and increasing yields are being thwarted in the eyes of the smallholder farmer by these heavy price fluctuations.**

These heavy price fluctuations on the global market do, indeed, pose a major problem for everyone in the cotton value chain, including the smallholder farmers. In eastern Africa, in particular, where the prices paid out to the farmers are decided solely by the current price for cotton on the global market, smallholder farmers have been caught off guard repeatedly in recent years. When prices were high, many farmers started growing cotton the following year only to find that the price had fallen by 50% by the time the harvest came. After the masses once again turned their backs on cotton, those who had continued to grow it were able to sell it for higher prices. The number of farmers who grow cotton in Zambia and Malawi rises and falls by up to 50% from year to year because of these fluctuations. This does not make it any easier to implement the long-term qualification measures. It also makes it much more difficult to analyze the impact of training measures that benefit farmers.

Overall, however, the smallholder cotton farming in Africa does benefit from the increase (or future increase) in the average global market price for agricultural products. This makes cotton much more appealing to farmers today than was the case eight years ago.

It also has to be said that the pricing and price stabilization systems for cotton in western Africa, which have been criticized by the World Bank (“market signals not passed on to farmers”) for many years, are working. These systems were clearly able to cushion the fluctuations in the global market prices in western Africa over the past five years. The farmers are able to plan with much greater certainty, which has resulted in increased “loyalty” to cotton as a crop among the farmers. Cotton made in Africa cannot take the place of national regulations, but it endeavors to promote the exchange of experiences between those involved in cotton in eastern and western Africa, including questions relating to pricing and price stabilization. And Cotton made in Africa also supports the overall operating system of the smallholder farmers, who grow maize, sorghum, peanuts and other crops in rotation with cotton. Farmers learn to plan

their production to optimize their income and the quality of their own nutrition at the so-called Farmer Business Schools. This may entail a reduction in the amount of land used to grow cotton during periods in which the price for cotton on the global market is at a low.

**Cotton made in Africa is about forming a partnership between public and private donors on the one side and private companies on the other, on both the production end and on the purchasing end. This type of public-private partnership has recently become the subject of growing criticism. One important argument is that money taken from the taxpayers and private donors is ultimately used to support the business interests of private companies, which are often not in line with the interests of the smallholder farmers.**

There are good reasons to critically question and examine several of the private-public partnership models that have been propagated in recent years. Sometimes these PPP models, e.g. privately constructed freeways or schools, come at a high expense to the taxpayer and are tied to greater risks than would it be the case if the government solely were to be responsible for these infrastructure projects.

This justified criticism should not, however, simply be applied across the board to all forms of public-private partnerships, which are becoming more and more prevalent in market-oriented economies. For example, the huge success in the expansion of renewable energies in Germany was only possible thanks to the excellent co-operation between state regulation and hundreds of thousands of private initiatives and investments. And the significant increase in sales of organic and fair products would not even be conceivable without the commitment of major private food store chains.

Many billions of tax and development dollars have been “wasted” on inefficient and dysfunctional state agricultural consultancy services in Africa. These services only work in a handful of African countries. Agricultural consultancy, offered through cotton companies as part of contract farming, is a second-best alternative to such services and has proven to be effective and to offer a good cost-benefit ratio. In a direct comparison (e.g. in Burkina Faso or Côte d’Ivoire), the private cotton companies provide more and significantly better services for smallholder farmers than the parastatal competition:

more extension officers consultants per farmer, more support in investing in compost pits and draft oxen yokes, punctual payments to farmers. To be fair, however, it should be noted that Sodecoton of Cameroon is a very well-managed parastatal company. There the farmers also enjoy joint decision-making rights in different company bodies that are very similar to the monthly joint decision-making rights found in Germany. Sodecoton, however, is clearly the exception. And Sodecoton is on the way to working with CmiA.

With regards to cotton, the farmers and the cotton companies basically share the same interests. Both want an increase in the yield per hectare.

On the other hand, one of the core elements of Cotton made in Africa is to use the standard to ensure that farmers are treated fairly in the contractual relationships with the cotton companies. This goes for both determining the price for cotton and agricultural inputs as well as for the payment periods and the quantity and quality of consultancy services that are offered to the farmers.

**Would it not make sense to rely on cooperating with farmer coops as an alternative to contract farming, i.e. companies (= cotton companies) that have tens of thousands of farmers under contract?**

The cotton farmers, in western and central eastern Africa, at least, are generally organized into farmer groups at the village level. These groups join together to form regional and national farmers associations, which are generally very powerful. These farmers associations often enjoy political strength and have a voice in determining the purchase price of cotton and in determining the prices of agricultural inputs such as fertilizers. In many African countries the process for setting these prices is similar to the collective bargaining negotiations conducted in Germany between employers and employees. And since the farmers represent major voter groups, they often have the power to assert themselves in representing their interests.

The question, however, is if it would not make sense for the farmers and their coops to also have more control over bigger parts of the value added chain, such as the purchase of inputs or cotton ginning, in the spirit of farmer empowerment.

Unfortunately, the reality in Africa is

often that poor government management is not limited to central government bodies, but permeates all of society. The number of coops that have failed due to mismanagement and corruption is high in the cotton sector. In all of Africa there is not one major gin that is successfully operated through a union of farmers. The farmers associations do, however, have a minority share in state and private cotton companies in a number of countries.

The failure of many farmer coops for cotton, coffee and cocoa is due to objective reasons that lay in the way the complex commodity futures markets for these raw materials work. The risks in price fluctuations and of default among end buyers are too great for the farmer coops to bear. For this reason, even representatives of the African cotton farmer associations advocate that they concentrate on representing their personal interests and on competitive restraints rather than having farmers play a stronger role in the value chain, for example as owners of ginning mills.

There are, of course, also exceptions to this rule. CmiA works in areas where the farmers associations have a history of good management. In some cases this entails direct cooperation between these groups and CmiA without making a "detour" to include private cotton companies.

**The recent fires and collapsed buildings in textile factories in Bangladesh once again raise the question as to how serious the major textile brands and retailers are in their commitment to social and ecological sustainability. Are verifications ultimately just seen as a patch to allow them to continue with production at the cheapest locations?**

The conditions in the textile industry in Bangladesh are an entirely different topic. And it is, of course, important to carefully analyze and critically examine the sustainability strategies that companies employ. The Otto Group and Tchibo, two companies whose strategy I have become quite familiar with over the years, are proof that there are a number of companies that do take sustainability very seriously.

After years of preparation, the Otto Group's core brands are converting to textiles with CmiA cotton across the board. In 2013 the share of CmiA textiles in the Otto and Bonprix (part of the Otto Group) proprietary brand lines was already at 30%. By 2020 these products

should be made of 100% organic cotton. This is no longer a matter of CSR niche products within the product line; it is about an entire production chain. The fact that Otto must also ensure that it remains competitive with companies like Amazon and Zalando, which are known to hardly pay any taxes at all, to barely place any value on sustainability, and to pay their workers below standard for the mail order retail sector, makes the challenge all the greater.

Tchibo is also converting to more sustainable products in all of its coffee, textile and wood product lines and to more socially responsible working conditions at the production sites. Tchibo recognized that such a strategy requires reliable supplier relations and that it cannot work when with the “supplier hopping” practices of former times. This is why Tchibo is systematically investing in developing long-term partnerships. For example, the company signed a multi-year purchase guarantee agreement with a Turkish group that allowed for the construction of a textile factory in Ethiopia. This is very much a long-term investment, as it will require quite some time before the Ethiopians are 100 % able to compete with the competition from Southeast Asia in terms of both quality and the price. But Ethiopia does have regulated working hours in shift work, bus transportation to work, breaks with good food at the factory cafeteria, a functional wastewater system and spacious production facilities, all of which many of the workers in the numerous textile plants in Bangladesh can only dream of.

Sustainability and social responsibility are, of course, an important part of differentiating themselves from their competition and protecting their reputation and image. But the path to that goal requires patience and a great deal of investing. And Tchibo and the Otto Group have made more progress in that regard than the major church organizations in Germany. Right now there is no certainty as to whether or not even 1% of the cotton used by the major church-run hospitals and nursing care facilities that consume tens of thousands of tons of cotton every year comes from cotton that has been verified to meet sustainability standards.

**Like Fair Trade and organic cotton, “Cotton made in Africa” is a voluntary standard. How do voluntary standards react to government regulation and can voluntary standards replace government regulations in the long**

**run?**

When you look at the history of industrial or legal developments, you see that voluntary standards adopted by a group of private, civic persons and groups often lay the foundation for future government regulations. On the other hand, it is also true that the existing laws and regulations, such as those on child labor and the use of pesticides, only exist on paper in many African countries and there are no efforts to monitor, let alone enforce, compliance. Voluntary standards can therefore be the tool that breathes life into existing government regulations.

Now that Cotton made in Africa has grown to the point that it is being taken more and more seriously in Africa, it is working to systematically cooperate with governments and government agencies in countries like Burkina Faso, Côte d’Ivoire, Ghana, Mozambique, Zambia and Tanzania. The goal is to implement the standards, such as those regarding the use of pesticides and child labor, across one country and to develop coordinated communication and training materials. This cooperation also includes the task of impact measurement. Reliable production, yield and impact data can help government regulatory bodies better fulfill their role towards private and parastatal cotton companies.

The fact that CmiA and the African partners already have years of experience in successfully working together and that a significant demand for sustainable cotton has developed on the global market also makes this type of cooperation all the more attractive to partners in African governments. To them, it is no longer “just” about ideas on paper, declarations of good intent and symbolism, but actual sales markets and opportunities for their African cotton on the global market.

**Don’t initiatives like “Cotton made in Africa” further cement the traditional division of labor between emerging and industrial nations on the one hand and the developing nations on the other? The one side grows the raw materials, the other processes and markets the cotton products for a much greater share of the profit in the value chain?**

Sub-Saharan Africa had a textile industry 20 years ago that used 10-20% of the locally grown cotton to produce for the local market and that also produced for the global market to a limited extent. Most of that industry no longer exists.

There are numerous reasons why, but the main reason was that Sub-Saharan Africa lost its competitiveness in comparison to the major textile production sites in Asia. The flourishing practice of exporting used clothing from Europe to Africa has also been a factor behind the destruction of markets for the local textile industry.

In the past few years, however, we have seen a change in several trends. Africa's growing affluent middle class is developing a stronger interest in local designs and products. And Asia's competitive advantages are diminishing. The major chains are cautiously exploring new production sites that can at least guarantee compliance with the ILO's minimum work standards. A number of African countries are more attractive than countries like Cambodia and Bangladesh in this regard.

Cotton made in Africa promotes both making "Textiles Made in Africa" available to African consumers and the export of textiles made in Africa with Cotton made in Africa cotton. This, too, requires a great deal of patience. You can't build an integrated textile industry that meets the high standards of African and European consumers with regard to the design, quality and delivery time over night.

**Roger Peltzer**

*Roger Peltzer* is head of department at DEG – Deutsche Investitions- und Entwicklungsgesellschaft. The article and Q&A reflect his personal opinions.

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