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COTTON MADE IN AFRICA: A FIELD REPORT

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“Love for Africa” was the motto at “Tchibo-World,” which took place in the third week of June in 2009. In addition to fair coffee and African furniture, 700,000 tops, skirts and table cloths bearing the *Cotton made in Africa* (CmiA) label have been sold in the 900 (app.) Tchibo retail stores. The goal of this initiative is to enable African cotton farmers to cultivate their cotton in a more economic, fair and ecologically friendly manner. This experiment in Africa was a success for the Tchibo Company. The sales figures are noteworthy and other companies like Otto, Puma and Rewe are joining the Hamburg based consumer goods enterprise and participating in CmiA.

The challenge now is to create a stable ‘value-added’ chain from the farmer to the end consumer that ensures both fair prices and the cultivation of cotton in a sustainable, ecologically friendly and fair manner. This principle is the key to helping African farmers create a sufficient basis for sustaining their own livelihood and to effectively battling poverty in Africa.

This also raises the question as to whether or not African cotton is the best choice for such an initiative. All cotton cultivated in western and southern Africa is grown by roughly 2 million small farmers. There are no large plantations to be found. 10-15% of the cotton exported worldwide is produced in Sub-Saharan Africa in this manner, placing this region behind the USA, central Asia and, recently, India in the list of top exporters. But life for African cotton farmers has proven to be very difficult, especially in recent years: The price for cotton on the world market did not adjust to the general increase in the cost of raw materials at first, and when it did, it was lacking. The first significant price increases have only been seen in recent

months. Previously, however, the prices for fertilizer had increased, more than doubling at their peak; the price for phosphate, the severest case, increased 10-fold. Meanwhile, the currencies of nearly all African countries had risen against the American dollar. And since cotton is traded in American dollars, this resulted in the African farmers making significantly less net profit despite the higher price being paid for cotton on the world market (just this trend was reversed with the rise of the dollar). In many cases, sales revenues do not cover the farmers’ own costs when including an hourly wage for their own labor in the calculations.

The trading price for raw cotton in the Ivory Coast did increase from 25 euro cents to 28 euro cents per kilogram for the current season. 32 euro cents per kilogram, however, would be necessary to cover the farmers’ costs and compensate them for the time worked; and such basic wages would only result in an income that is significantly less than one American dollar per day.

In light of this reality, many farmers in Africa have reduced the size of their

cotton fields. Since 2005, cotton production has dropped by more than 50% in the most important West African cotton producing countries like Burkina Faso, Chad, the Ivory Coast and Mali. The price for cotton on the world market only started to recover in 2009, making the cultivation of cotton in Sub-Saharan Africa more attractive to farmers there.

*** "White gold from the hands of African farmers"**

The initiators of the *Cotton made in Africa* project decided to place their faith in Sub-Saharan African cotton despite these difficult conditions. The reason: Farmers in countries including Burkina Faso, Benin, the Ivory Coast, Zambia, Malawi and others, are already growing cotton under much more sustainable conditions than elsewhere in the world. The typical African family farm uses rain water to irrigate the fields and does not consume large amounts of ground water, a very limited resource. They almost always practice crop rotation and cultivate cotton, grains and other crops in succession.

This does not create an imbalance, as is often found, but rather a balance in the production of crops for export and of crops for the farmers' own consumption.

Whereas the cotton cultures expanding over thousands of square kilometers in Uzbekistan are turning entire tracts of land to steppe and drying up the Aral see, for example, the patchwork fields in Africa with their trees and bushes look very similar to regions in Europe, as seen from a bird's eye view, where family-operated farmers practice crop rotation. There are no monocultures to be found, which also means that significantly less pesticide must be used than on the large plantations found elsewhere in the world. African cotton production can also survive without the help of subsidies – as long as the price for cotton on the world market is not distorted. Subsidies in the USA, Europe and even China are enormous: 25,000 American cotton farmers receive 3 billion American dollars in subsidies each year, more than the value of all cotton exported from Sub-Saharan Africa.



Cotton fields in Burkina Faso

The EU also provides massive subsidies: Cotton producers in Greece receive 625 euro per hectare in subsidies. And this does not include the sales price of the cotton. An economical African farmer earns approximately 340 euro per hectare, for comparison's sake, approximately a third of what his Greek colleague makes after selling. And this with cotton production in Greece serving as a role model for environmental polluters: Massive amounts of Greece's already limited ground water are used to irrigate the cotton fields; pesticides are washed back into the ground water and nearby bodies of water. There's hardly a more ecologically damaging agrarian subsidy to be found in the EU.

The ultimate goal of the *Cotton made in Africa* initiative is therefore to take this "white gold" out of the hands of the hard working African farmers, to help African cotton receive the recognition it deserves in the global market, and to thereby give a previously unknown mass product a positive "market identity." This led Dr. Michael Otto to start an initiative in 2004 to get individual textile retailers, German developmental institutions, cotton farmers operating in Africa and non-government organizations to join the Aid by Trade Foundation (AbTF): Companies like the Otto Group, Tom Tailor and Tchibo, as well as the German Investment and Development Company (DEG) and the GTZ, the cotton merchant Dunavant, the WWF and the German World Hunger Aid organization see this initiative as an opportunity to provide a wide range of support for the cultivation and marketing of cotton produced on a sustainable basis in Sub-Saharan Africa and for the small farmers and their families. Since then, other organizations such as NABU have also joined the initiative. Three years ago the first *Cotton made in Africa* products found their way to the retail stores, and they have been there ever since.

* **Standard or brand?**

Creating the *Cotton made in Africa* brand and introducing it to the market has been on on-going process of trial and error. The original idea was to develop *Cotton made*

in Africa as a type of minimal quality standard for textile retailers. This type of "business to business" concept would, however, by-step the end consumer and, as far as being a 'quality standard.' only serve as a topic for journalists' research. It was soon determined that this option was not particularly attractive to the individual textile retailers. Aside from eco-cotton, sustainable cotton production simply isn't a subject of discussion in the public or in commerce.

The companies considering an investment in *Cotton made in Africa* wanted to convey this to the consumer. The path was clear: *Cotton made in Africa* was to be developed into a so-called "second brand," or quality seal. In this sense, the brands of retailers like Puma or Tchibo, remain in the foreground, while so-called "hang tags" inform consumers that the shirt, skirt, bed sheet or hand towel is a product made from *Cotton made in Africa* cotton. The companies participating in the initiative also provide further information in their catalogues and retail stores. This concept brings the advantage of allowing *Cotton made in Africa* to act as a "remora" alongside established brand names. This also saves the costs of developing a brand name and the costs of the advertising campaign associated with such, which would run into millions of euros for the European and American markets.

* ***Cotton made in Africa and Fair Trade***

Though *Cotton made in Africa* follows the same spirit, the concept does differ somewhat from classic *Fair Trade*. The consumer should not pay an added fee for the cotton product made from *Cotton made in Africa* cotton. The licensing costs of a few cents per article are paid by the retailers before the product reaches the end consumer. The stated goal of the Aid by Trade Foundation is to turn *Cotton made in Africa* into a mass product found throughout the catalogues of participating retailers. *Cotton made in Africa* is explicitly not to serve as a side product in the companies' product lines for the sole sake of displaying the company's sense of good will.

The seal *Cotton made in Africa* is to be established as a standard in the very competitive textile market so that the demand for high quality African cotton, and the price for such, grow in both the mid and long term.



Cotton made in Africa: Promotion

Cotton made in Africa chose this option due to the many problems associated with the classic “fair trade approach” from the perspective of those targeting mass markets. A small price increase to the farmers’ advantage will generally be passed along and continually increase as it makes its way along the merchant chain. Each link eats away at the calculated margins (in part due to logistical costs), until the extra 10 cents originally being paid to the farmer per kilogram result in the end consumer paying a full euro or more per kilogram. And that would make the final product too expensive for mass consumption in such a competitive market like fashion and textiles.

The other inherent problem with Fair Trade is that the supply of products filling Fair Trade criteria often exceeds the demand for such products many times over. This can result in many farmers being educated in sustainable production and high hopes, only to see just a third of the available products purchased on the fair market at the higher cost. Two thirds of the farmers go home empty handed. This, too, should not happen with *Cotton made in Africa*.

Whether or not this concept will succeed and actually reach the mass mar-

ket has not yet been proven. *Cotton made in Africa* is competing on the market against classic Fair Trade products, such as the French initiative *Coton équitable*, which, in cooperation with the Fair Labor Organization (FLO), has, for example, fitted many employees of the French postal service with Fair Trade work clothes. However: There are already 31 retailers in Germany, France and, since recently, the USA cooperating with *Cotton made in Africa* just three years into the initiative. This includes the television sales channel QVC and Bierbaum company, a well-known retailer for bed sheets, alongside the many other companies that have already been named.

In 2007 approximately 400,000 articles of *Cotton made in Africa* clothing were sold; in 2008 that figure grew to 2.4 million and in 2009 to approximately 6 million. According to estimates, 13 million articles of *Cotton made in Africa* clothing will be sold in 2010. Assuming an average price of 10 euros per textile article, 60 million euros in turnover were reached in 2009 and approximately 130 million euros in turnover are to be expected for 2010. In comparison: last year’s turnover for all Fair Trade products in Germany was approximately 200 million euros. This may not be the fairest comparison, since the added value from the cotton on the field to the finished textile article is, of course, much higher than that of coffee, for example, but the results for *Cotton made in Africa* so far have been good, even if the goal of reaching the mass market is still far from reach.

*** How does this help the African farmer?**

The *Cotton made in Africa* brand stands for adherence to social and ecological minimal standards. In concrete terms this means that the price paid to the farmer for raw cotton must be transparent and comprehensible. It also means the farmers should be guaranteed payment within 4 weeks of delivering their cotton, which is far from being common practice in Africa at this time. Conventional cotton production requires heavy use of pesticides and

herbicides; *Cotton made in Africa* makes sure that only approved pesticides and herbicides are used. The farmers are instructed in the use of such chemicals according to certain minimal standards.

Along with local cotton companies, German Development Cooperation finances programs for farmers participating in *Cotton made in Africa* through the DEG and GTZ. "Demonstration crop fields" are used to show simple ways to increase soil fertility and productivity. Favorable credit conditions promote bullock traction, which allows farmers to increase their productivity and to rely more heavily on organic fertilizers. Integrated plant protection allows that chemicals are only used when specifically needed and not as a general measure, which in turn reduces costs and, at the very least, slows the build-up of resistance against the pesticides and herbicides in use. The model projects in Zambia, Burkina Faso and Benin have shown significant increases in productivity and/or cost reductions ranging from 20-30%.



From village to factory: cotton gin

The African farmers should also profit from the *Cotton made in Africa* licensing fees in the future. The licensing fee is currently being used to pay for the marketing costs for *Cotton made in Africa*. Currently 5 % of the license fee is invested in school projects in the cotton producing regions.

By 2013, the marketing volume of *Cotton made in Africa* should have grown to allow for approximately 75% of the licensing revenue to be paid directly to the farmers as a dividend or used directly to fund training projects for the farmers. This should help participating farmers increase their net income by 10-15%.

The CmiA model projects in Benin, Burkina Faso and Zambia convinced the Bill & Melinda Gates Foundation (BMGF) to provide a total of 22 million US dollars in the years 2010-2012 to expand these programs to 265,000 farmers in six other African countries (in addition, the Ivory Coast, Malawi and Uganda). This *COMPACT* program (Competitive African Cotton Initiative) is also co-financed by the German Federal Ministry for Economic Cooperation and Development (BMZ), which provided an additional 5 million euros. Private cotton companies in Africa provided an additional 20 million US dollars.

Another important aspect with regard to African cotton is that *Cotton made in Africa* has developed a reliable, worldwide supply chain in cooperation with renowned spinning and weaving companies. So-called "project cotton" can be found in supply in major textile producing countries like China, Mauritius and Turkey, if they can be used at short notice to meet the most current demands for the newest fashion trends. These partner companies rigorously tested the quality of the cotton and determined that the cotton companies working with the *Cotton made in Africa* initiative were able to provide high quality cotton with very few impurities to the agreed upon dates and conditions. This has led to a significant improvement in the African cotton farmers' reputation, which previously was often not that of a reliable supplier of quality cotton.

*** The dynamics of private enterprise**

Cotton made in Africa is heavily influenced by the dynamics of private enterprise. The participating individual textile retailers certainly want to make a profit with CmiA by tens of thousands of CmiA farmers also want to increase their revenue, partly to increase the capacity of their cotton gins.

Dr. Michael Otto, the initiator of the project, has voiced his business philosophy in numerous interviews and explained why there is an economic self-interest in trade for a systematic switch to the selling and marketing of consumer goods produced under sustainable conditions. Though primarily impacting the food sector, news reports of scandalous working or unhygienic production conditions can lead to significant losses in sales in the textile and toy sectors, as well. Such scandals deal a sudden blow and can even pose a threat to the traders' livelihood, as many make their living on a profit margin of just 1%. The marketing of products that can be produced sustainably is a form of crisis prevention. On the other hand, this outright form of "corporate social responsibility" as seen in the Otto Group is not completely risk free. Anyone claiming to only deal with textiles produced according to minimal standards draws the attention of the so-called "campaigners." The result: Various non-government organizations make finding the few black sheep among the thousands of suppliers and sub-suppliers their goal. Anyone making such claims publicly must be prepared to be held to their word by the public; it's part of having entrepreneurial courage.

There is a long chain in CmiA over which the Otto Group is in contact with the African cotton farmers. Each farmer has a contractual partner in the local cotton company operating the gins preparing the cotton for export.

The cotton company supplies the farmer with seed, fertilizer and chemicals and offers agronomic consultation. In return, the farmer or his cooperative agrees to deliver the cotton to the cotton company at a price agreed upon. The cotton company then transfers the difference between the purchase price and the pre-financed goods and services to the farmer. This "contract farming model" has stood the test of time for decades in Africa, yet it also draws criticism from liberal market economists and from various non-government organizations. The opposition's main argument is that the farmers are finding themselves in a dependency role in their relationship with the purchaser, who has a sort of monopoly. Critics support a system

in which the farmer is free to choose which gin he sells his cotton to. This would, in theory, enable the farmers to get a better price for their cotton. The reverse side of the coin, however, is that this type of liberal system does not give the farmers access to credits for fertilizer or protective clothing, items which can only be financed and secured via the cotton that is to be produced. The cotton sector is the only agricultural sector in Africa which has succeeded in systematically enabling hundreds of thousands of small farmers to gain access to credits to purchase fertilizer, which was only possible under the contract farming model. This also benefits food production in these regions, as clearly seen in recent studies in West African. The decrease in cotton production in these regions also leads to a decrease in the cultivation of grains. The reason: The farmers no longer had access to fertilizers.

In light of this situation, *Cotton made in Africa* chose to rely on cooperation with well-run private cotton companies. An increase in the farmer's cotton production is also in the cotton companies' interest, as it allows them to increase the capacity of their gins. The cotton companies also have qualified personnel and an already present infrastructure in these regions, which allows them to offer training programs for small farmers at an affordable price, and, in turn, to introduce sustainable farming methods.

At the same time, *Cotton made in Africa* makes sure farmers are able to enter price discussions on equal ground with the cotton companies. In some cases farmers are helped in choosing the cotton company they wish to deal with. This, however, is rarely an issue in West Africa, as the cotton farmers there are traditionally well organized and build a force that cannot be easily over-stepped.

*** Trust is good, but being sure is better**

This, however, is far from being the case in the English speaking regions in East Africa: The cotton sector there is not well organized and serious farmers unions are rarely to be found.

Developing a reliable brand is a long process and the greatest possible setback in the eyes of the members of this initiative is the possibility of images appearing in the media showing CmiA farmers bare foot and in shorts spraying poisonous pesticides, followed by the alarm in the nearby clinics when they find that many of these farmers are suffering from headaches and skin diseases.

Such scenarios can never be completely ruled out in cooperative involving tens of thousands of farmers. If *Cotton made in Africa* is to have any credibility, it must be verifiable that such cases involving cotton farmers participating in the initiative are absolutely and positively exceptions to the rule – and that this will always remain so. Such proof cannot be delivered solely by the private cotton companies themselves. To establish real credibility, independent verification will be required.

Of course, this is something easier said than done. How exactly can one make sure that tens of thousands of farmers wear the proper protective clothing when spraying their fields? Or that they properly dispose of empty pesticide containers and that such waste does not end up in the hands of children? Or that the farmers practice correct crop rotation to increase soil fertility? How can all this be ensured without ensuing prohibitive costs? The bottom line is that in the end, neither the farmer, nor the cotton company, nor the consumer is willing to bear these additional costs.

Even the use of representative surveys would require an extreme effort and quickly carry a price tag greater than the amount of additional income that the individual farmer is to receive by participating in *Cotton made in Africa*, as the farmers are spread out over many kilometers and difficult to contact directly.

For this purpose, the Aid by Trade Foundation and the auditing firm PricewaterhouseCoopers (PWC) developed a so-called third party verification process that monitors the management concepts and claims made by the cotton companies and which carries out random surveys of the participating farmers. This allows claims, for example of prompt payment, to be easily verified. Random sampling is also a

reliable way to quickly receive reliable information regarding the pesticides given to the farmers by the cotton companies and whether or not they are WHO approved. Word spreads quickly when the claims being made do not prove to be true. Monitoring other aspects, such as the proper disposal of empty chemical containers, is, however, more difficult, as many farmers do not see this issue as being an issue. Still, there is a clear need to address such questions and determine whether or not the “core claims” made by *Cotton made in Africa* are, in fact, true.

The *CmiA* verification process is particularly focused on continual improvement in meeting the *CmiA* sustainability standards. Aside from reasons for exclusion (such as the cultivation of cotton in nature reserves), a ‘stop light’ system is used to ensure that improvements are made. Both the farmers and the cotton companies must show evidence of improvement from ‘red’ to ‘yellow’ when they do not meet a given standard.

So-called local boards made up of government representatives, farmers, unions and non-government organizations, whose role may not be limited to a technocratic nature, are also to be included in the verification process. The first of these “local boards” has been established in Benin this year (June 2010).

In addition to the bi-annual independent verification, *Cotton made in Africa* is working on a scientific impact analysis report that is being carried out by the National Opinion Research Center (NORC) in Chicago and financed by the Bill & Melinda Gates Foundation. Everyone participating in *Cotton made in Africa* wants to know if and how the living conditions of the African cotton farmers and their families are actually improving due to these programs. To answer this question, representative surveys are to be carried out at the start of the project “baseline,” and then again 3-4 years later. These surveys are to include hundreds of farmers from all 6 African nations. There is hardly a comparable development project in rural Africa with such systematic monitoring.

Of course, this is much more easily expressed in theory than proven scientifically in the field: Cotton is an agrarian

product that is cultivated in Africa under highly fluctuating climatic conditions. The price for cotton on the world market varies as well, as has already been mentioned. The amount of rainfall in a region, or lack thereof, is often a much bigger factor for the success of programs to increase productivity than any of the measures taken. Presenting a reliable report regarding the impact of the initiative therefore requires continual, diligent observation.

*** Hot potatoes in the discussion regarding credibility: Genetically modified cotton and child labor**

So far *Cotton made in Africa* has been able to remain neutral in the controversial debate regarding the marketing of cotton derived from genetically modified seed. Sub-Saharan Africa was, until recently, the only region in the world in which so-called Bt cotton was not cultivated on large fields. But this will soon change; Burkina Faso has been experimenting with genetically modified cotton for several years and has begun to introduce Bt cotton in large scale in rural areas.

The results are quite promising from the farmers' perspective: Harvest yield has increased by up to 30% and farmers only need to spray chemicals twice per season (compared to 7 or 8 times when growing conventional cotton). This doesn't just save the farmer money; it also saves him a lot of time. Spraying one hectare requires approximately 15 kilometers of walking. And the reduced need for pesticides when cultivating genetically modified cotton reduces the health risk that both the farmers and their families are exposed to. And since genetically modified cotton ripens more faster, it is also an effort to adapt to climate change. The farmers are better able to react to late rainfall.

Large scale Bt cotton production is being introduced widespread in Burkina Faso; 25-30% of the field area will be used to cultivate Bt cotton in the harvest year 2009/2010.

Still, many non-government organizations are vehemently fighting the use of genetically modified seed. Aside from worries of unforeseeable side effects caused

by genetically modified plants, critics often point to the high cost of genetically modified seed: A poor harvest could drive farmers deep into debt. It is also said that the African small farmers are not capable of planting strips of conventional cotton next to fields of genetically modified cotton, the only means of successfully preventing the build up of resistance. Some "good willed" NGOs, as well as the knowledgeable American author and professor Pietra Rivola, who wrote a striking report about a T-shirts "trip" around the world, systematically ignore the fact that there is a great degree of professionalism in the African cotton sector.

Many Africans in the cotton sector have a very positive opinion of genetically modified cotton. Burkina Faso was also able to negotiate a deal with Monsanto in which the genetically modified seed derived from native cotton strains is to be paid for based on the actual increase in yield and is not the exclusive property of the American company. This greatly decreases the risks associated with a poor harvest. Africans supporting the use of genetically modified seed criticize Europeans for their skepticism and claim they are trying to keep the African farmers from making use of the technological advancements that their competitors in the USA and Asia have been benefiting from for some time. Most cotton shirts worn in Europe today are made using at least some genetically modified cotton, and it doesn't seem to be bothering anyone.

Despite protest coming from all African partners of the *Cotton made in Africa* initiative, the Aid by Trade Foundation decided to place a three-year moratorium on the use of genetically modified cotton. The fear of seriously damaging the fledgling brand name *Cotton made in Africa* outweighed the unpleasant fact of having to go against the wishes of the African partners and cotton producers in this issue.

Another controversial subject in the cotton debate is that of child labor, a standard practice in the cotton fields of Africa. This is, quite simply, a matter of necessity; the small farmers cannot properly weed and harvest their fields without the help of their children.

The International Labor Organization (ILO) allows for children to aid their parents on family farms. It must, however, be ensured that the children are not at risk. They should also have the opportunity to attend school during the growing season. It is, in principle, forbidden to “borrow” children to work on the plantation for low wages. Explaining that child labor in the form of assisting their parents on the family farm is a social reality in Africa that cannot be changed overnight and that this is necessary for the survival of the family farm to business partners like S. Oliver was a difficult challenge for *Cotton made in Africa*. This makes it ever so important that *Cotton made in Africa* can ensure that inappropriate forms of child labor, or even child slave labor, are not to be tolerated. This is also to be monitored in the course of the previously mentioned “verification process.”

The Aid by Trade Foundation has already started investing part of the licensing revenue in school projects and adult literacy projects in Burkina Faso, Benin and Zambia. All relevant studies have shown that school attendance in rural areas increases proportionally as educational opportunities in these regions improve. These efforts are also supported financially by the business partners: Apart (Otto Group), Tchibo and REWE, as well as through the DEG and GTZ Public Private Partnership funds (PPP).

*** Challenges to come**

Cotton made in Africa is, at this time, heavily dependant on the support of public funding provided by the Bill & Melinda Gates Foundation and the BMZ. Without such aid it would be impossible to finance

the comprehensive training measures for approximately 265,000 farmers or to implement the verification process or even prepare an impact analysis.

The goal is to see *Cotton made in Africa* standing on its own two feet on the textile market in the next 3-4 years. The support provided to the African farmers, marketing fees and other costs should be covered completely by the licensing revenue. To make this possible, *Cotton made in Africa* must increase its turnover to approximately 45 million articles per year. This would also mean reaching the initiative's goal of establishing a brand in the mass market and not just offering a niche product.

The task at hand is enormous. Many textile suppliers do make note of their charitable efforts in their brochures, but the truth is that products produced according to fair, ecological standards make up less than 1% of their product line.

Sustainably produced cotton will only play a significant role in world trade for farmers and consumers when the critical public demands that at least 20-30+% of all textiles be made from sustainably produced cotton. Such an amount of sustainably produced cotton could be made available to the textile industry today, and even more in the future. The foundation exists; all that's missing is the demand. The public should stop seeing simple notices of a few fair products as acceptable social engagement.

Roger Peltzer heads the Competitive African Cotton Initiative, which is funded by the Bill & Melinda Gates Foundation and BMZ. He is also a member of the Aid by Trade Foundation advisory board.



Cotton harvest