

**FROM FIELD
TO FASHION**

COLLABORATIVE
GROWTH

ANNUAL
REPORT 2014



Better Cotton Fast
Track Program



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From the Secretariat

“It is with pride that we present the results of the 5th investment year for the Better Cotton Fast Track Program. We are well poised to achieve the ambitious goals we had set for ourselves way back in 2010, with 4 brands and 3 public funders around the table. Today, we have 11 brands in this pre-competitive platform, co-investing with the 4 public funders – to achieve scale like never before.

As we move into our last investment cycle, the BCFTP is now looking to scale our implementing partnerships with the key players in civil society and supply chain organizations, and to nurture our new, yet promising relationships with local government and industry partners – beckoning a smooth transition to the BCI Growth & Innovation Fund in 2016.”

Joost Oorthuizen

Executive Director IDH &

Chair of the Executive Board – Better Cotton Fast Track Program





Welcome to the Better Cotton Fast Track Program End of Year Report 2014!

2014 has been an eventful year on so many levels. As a testament to the robust investment strategy and decisions jointly made by the brands and public funders, the BCFTP is well on target to meet the farm level goals in 2015! With 1.4 million metric tonnes of Better Cotton lint produced by 375,000 licensed farmers across 6 countries via the BCFTP, in addition to BCI's collaborative partnership agreements with local governments and trade associations in other key countries – we can now say without a shadow of a doubt that Better Cotton is well on its way to becoming a mainstream commodity with market acceptance globally.

Demand for Better Cotton is growing too. We are happy to welcome a new apparel brand to the BCFTP – BESTSELLER is 11th BCFTP brand member in the coalition as of today. As a program, the ongoing engagement with the supply chain partners of the BCFTP brands is unveiling results, with the supply chain and retailer uptake on a visibly upward trend as we prove how procurement can indeed take place through 'business as usual'.

In 2014, the Fund approved a total spend of 7.3 million euro – Indeed, our public and private funders have played an instrumental role in providing the financial resources that has driven us to scale. With a clear direction from the Executive Board and BCI, the Secretariat - along with our implementing partners - has been able to ensure an increase in farmers trained year on year.

Lastly, a special mention to our colleagues in BCI – Over the years, the close collaborations between BCI and BCFTP (both at the HQ and Country levels) have only become stronger, and both teams have increasingly worked together to deliver on our ambitious goals!

We hope you will enjoy reading our 2014 journey as we move into the last investment cycle for the BCFTP and speed towards realizing a shared dream that we set for ourselves 5 years ago!

Pramit Chanda,
BCFTP Project Director
IDH The Sustainable Trade Initiative

How Does BCFTP Work?



Public Funders

ICCO
IDH
FSP (SOLIDARIDAD)
RABOBANK FOUNDATION



Investment Committee

Accountable for approval and oversight of investment decisions, Building understanding, Sharing knowledge and supporting procurement



Private Partners

ADIDAS GROUP
BESTSELLER
H&M
IKEA
LEVI STRAUSS & CO
MARKS & SPENCER
NIKE
TESCO
TOMMY HILFIGER EUROPE
VF CORPORATION
WALMART

upto 50





Executive Board

IDH | BCI | Funders
Private Partner

Policy-making strategic body accountable for the rules of the program and the Strategic Plan driving all investment decisions & responsible for the financial governance.



BCFTP Secretariat

IDH | BCI

Responsible for delivery of the program including coordination of stakeholders of the BCFTF, administration of the fund and project management

upto 50%



BETTER COTTON FAST TRACK FUND

(€ 50- 60 million over 5 years)

Goal: 1.5 million MT Lint of Better Cotton by 2015



BCI

- Standard,
- Verification
- Traceability



Implementing Partners



Training



Crop Protection



Bio Diversity



Water Usage



Fibre Quality



Decent Work



Soil Health



Project Assessment



Farmers

Supply Chain Engagement



BCFTP Timeline

CREATING
SUPPLY

LINKING SUPPLY
TO DEMAND

2009

2010

2011

2012



India
Pakistan
Mali



+ Brazil



+ China



H&M
Levi's
IKEA
Marks & Spencer



+ Adidas



+ Nike
+ Walmart



10



35k



28k



65k



24



200K



90k



250k



30



623k



164k



683k



BCI released
Better Cotton
Production
Principles



BCI introduces
Unique Bale
Identification Code
(UBIC System of
traceability)



PROJECTS



BC MT LINT



BC FARMERS



BC HECTARES



ACTIVITY



COUNTRIES



RETAILERS/ BRANDS

ACCELERATING RETAILER UPTAKE

2013

2014

2015



+ Mozambique



+ VF Corporation
+TESCO
+Tommy Hilfiger Europe



34



747k



269k



709k



BCI launched New
traceability system of Mass
Balance Administration

BCI introduced New
Assurance program

BCI formalized
partnership agreements
with CMiA, IAM and
ABRAPA.



+ BESTSELLER



46



1.4 Mil



375k



1.4 Mil



BCI moves towards
transitions from BCFTP
to BCI G&I Fund with the
introduction of the VBF
(Volume Based Fee) model.

IDH piloted a Better
Cotton project with CAIM
in Maharashtra (42,000
farmers) –outside BCFTP

BCI formalized partnership
agreements with MyBMP.



+ Turkey
+ Tajikistan



+ C&A *



61



2.4 Mil



840k



2.2 Mil



BCI announces
IDH as Strategic
Partner to BCFTP
Successor,
BCI Growth &
Innovation Fund
(2016-2020)

End of BCFTP
and transition to
the BCI Growth &
Innovation Fund.

The production, farmers and hectares figures for BCFTP will always be less than the annual BCI results as the BCFTP comprises of select projects (but not all BCI projects).

2015 project data based on contracted projects for the 2015-2016 investment cycle. These are projected numbers and the actual results will appear in the BCFTP end-year report 2015.

* C&A has been approved by the BCFTP EB to join the Fast Track Program in the year 2015-2016; subjected to the approval of their membership to the BCI

The Year That Was

In an exciting fifth year, the Better Cotton Fast Track Program expanded the portfolio of projects supported by the Fund by almost 30% from the last season - supporting 46 projects in 6 countries with a total project spend of 7.3 million euros.

As a result, nearly 1.4 million metric tonnes of Better Cotton lint was produced by nearly 375,000 farmers across 1.4 million hectares. 99% of the farmers trained are smallholders in India, Pakistan, China, Mali and Mozambique (with the exception of a few large farmers in China, and in Brazil which is entirely self-reliant and is no longer recipient of funds from the Fast Track Program).





One of the key factors that allowed us to scale up was the financial commitment of our program funders and this year, BESTSELLER joined the BCFTP to become the 11th brand partner in the coalition.

We were also able to identify areas for improvements and effective spending across projects in consultation with the BCI country managers and our implementing partners – optimizing the project spends on farmer training and management operations. Today, the global average cost efficiencies in the portfolio are at their historical best – €9 per Better Cotton MT lint produced. (excluding Brazil).

On the demand side, IDH continued to engage intensively with the BCFTP brands and their supply chain partners to set and achieve their procurement targets. In addition, with the increasing awareness of BCI's Mass Balance Administration system and the integrated traceability functions of the Cotton Tracer, this resulted in a retailer uptake of 117,000 MT Lint of Better Cotton (July 2013- December 2014).

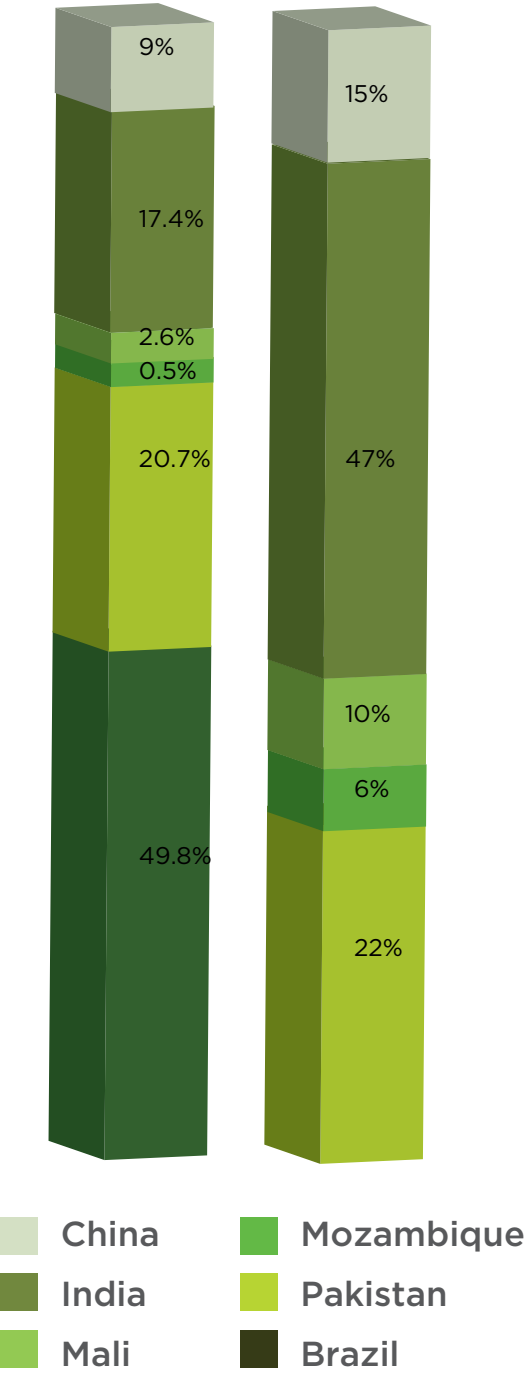
The BCFTP Secretariat also joined BCI's efforts to reach out to more apparel brands; and an outreach event was hosted by VF Corporation at The North Face showrooms in New York in July last year - in an endeavor to share their Better Cotton story with other North American brands looking to define their sustainable agenda for cotton procurement.

2014 aimed at revitalization of the investment strategy ratified by the Executive Board for the project portfolio in 2013, and this was achieved by close alignment between IDH and BCI in the BCFT Secretariat through the year on various levels.

The Year That Was

BETTER COTTON PRODUCED UNDER BCFTP 2014

BCFTP INVESTMENT PLAN 2014



2010

2011

Better Cotton Farmers

- Licensed
- Trained



28,000
56,000



90,000
134,000

Better Cotton Hectares Licensed



65,000



250,000

Better Cotton Produced (In Mt Lint)



35,000



200,000

Cost Efficiency



2012

2013

2014

2015
projections

2015
targets

164,000
234,000

269,000
269,000

375,000
435,000


821,000



500,000



683,000



709,000



1,409,000



2,300,000



1,500,000



623,000



747,000



1,474,000



2,400,000



1,500,000

● Euro / Mt Lint

7.40

10.60

9.30



Women farm workers being trained on safe working conditions in the field
Image Courtesy : AFPRO

India

India remains a major sourcing area for the BCFT brand partners. In 2014, the Fast Track Fund invested 3.2 million Euro (47% of the fund value) in 25 projects across 6 states.

247,000 MT lint of Better Cotton was licensed*, out which 91,000 MT lint was taken up by ginner - a significant increase from last season. The projects covered an area of 338,000 hectares and 200,000 farmers were licensed to produce Better Cotton (91% of the total farmers trained in the Better Cotton production principles).

As India is one of the key sourcing markets for Better Cotton the Investor Committee has been strategically working to increase the amount of Better Cotton being harvested in India. We have seen the results of this plan with the expected increasing output increasing by over 70% to 247,000 MT and is expected to double again in the coming season.

On the demand side, due the abundant supply of Better Cotton, conversations on price differentials were practically non-existent and suppliers have been using the Mass Balance Administrative system to procure Better Cotton at market price.

¹Source: Ministry of Textiles – India, The Indian Textile Journal

*The data for India is based on farmers licensed by BCI. The production may vary slightly and will be confirmed in the BCI Harvest Report 2014 to be released in October 2015

In 2014, India overtook China to become the largest cotton producer globally and accounts for 25% of the area under cotton globally. Engaging over 6 million smallholder farmers in 8 states and approximately 40-50 million people in processing and trade, cotton is a vital cash crop to the country's economy¹.

INVESTMENT STRATEGY

- Scaling our projects by driving cost efficiencies with our IPs
- Building supply in catchment areas for BCFT brands, to counter conversations on price by suppliers and facilitate uptake

IMPLEMENTING PARTNERS

AMBUJA CEMENT FOUNDATION | AFPRO | ANANDI | ARVIND | ASA | COTTONCONNECT | DILASA | MAHIMA | PRATIBHA SYNTEX | PRDIS | SIPL | TRIDENT GROUP | WWF INDIA

2010

2011

2012

2013

2014

2015
projections

Better Cotton Farmers

- Licensed
- Trained



12,000
24,000



34,000
74,000



76,000
103,000



113,000
121,000



200,000
219,000



385,000

Better Cotton Hectares Licensed



16,000



45,000



127,000



184,000



338,000



653,000

Better Cotton Produced (In Mt Lint)



10,000



33,000



94,000



143,000

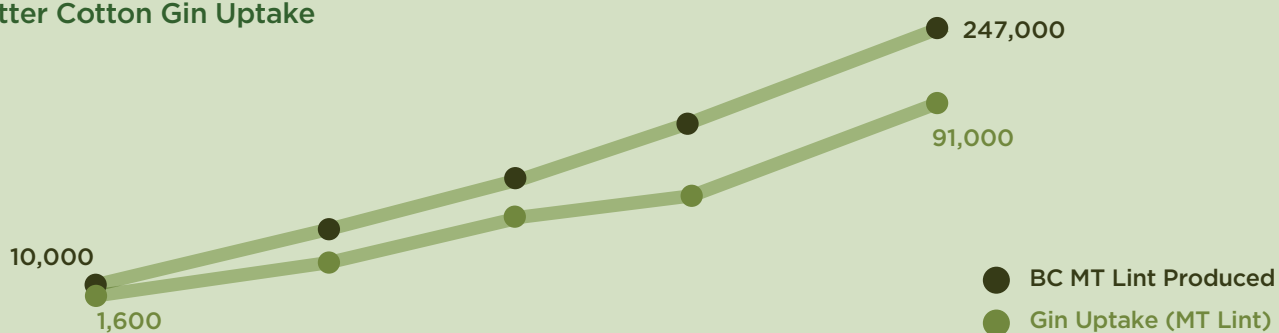


247,000

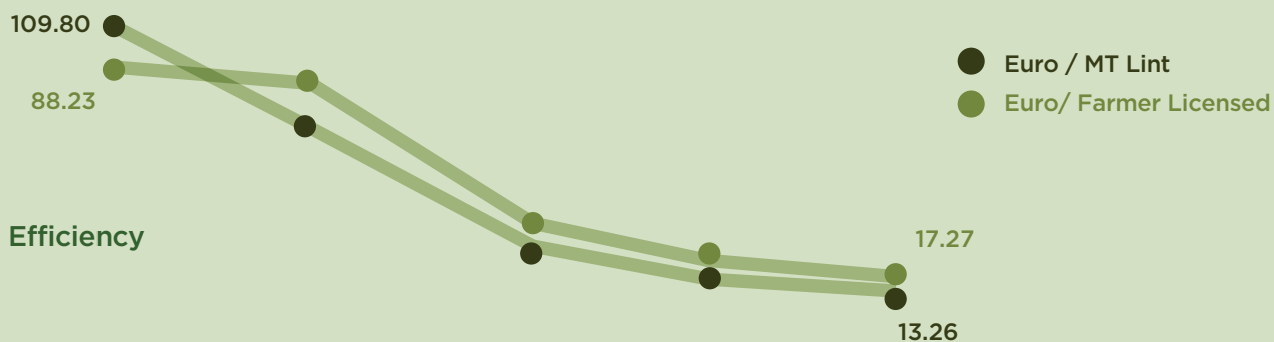


535,000

Better Cotton Gin Uptake



Cost Efficiency





Farm workers awareness meeting regarding working conditions and their rights
Image Courtesy : WWF Pakistan

Pakistan

Pakistan is the fourth largest cotton producer in the world. Cotton is the most vital cash crop for Pakistan, both the domestic textile market as well as for yarn exports. About 1/4th of all Pakistani farmers grow cotton¹. The cotton sector (including textile and apparel) contribute highly to the GDP and form 60 percent of the total export value.

INVESTMENT STRATEGY

- Diversify IP portfolio while maintaining cost effectiveness
- Work with WWF to build capacity of local partners to become independent IPs
- Engage with the cotton and textile industry through trade associations, supply chain and government

With strong government support to the sector and a high concentration of gins and spinning mills, Pakistan has always been a reliable and cost effective catchment area for Better Cotton for the BCFT. In 2014, the Fast Track Fund invested 1.1 Million euros (22% of the fund value) in 7 projects.

310,000 MT lint of Better Cotton was produced (almost doubling last season) out of which 155,000 MT lint was taken up by ginners. The projects covered an area of 353,000 hectares. 102,000 farmers were licensed to produce Better Cotton (87% of the total farmers trained in the Better Cotton production principles).

In 2014, BCFTP diversified the portfolio of implementing partners to add 2 new IPs, whilst maintaining the cost efficiencies demonstrated by the projects under WWF Pakistan. On the demand side, BCFT also engaged a supply chain expert in Pakistan and Bangladesh to work closely with the BCI team and BCFT brands' suppliers on procurement and other commercial strategies for Better Cotton.

In 2014, BCI signed an instrumental agreement with the All Pakistan Textile Mills Association (APTMA), Pakistan's largest textile trade consortium comprising of over 350 members from the supply chain whereby APTMA pledged to make Better Cotton a mainstream commodity in the country. With this association with APTMA, BCI has paved the way to institutionalize Better Cotton in the commercial sector.

¹ Source: USDA Foreign Agricultural Service: Report - Pakistan Cotton and Products Annual 2014

IMPLEMENTING PARTNERS

CABI | LOK SANJH | WWF PAKISTAN

2010

2011

2012

2013

2014

2015
projections

Better Cotton Farmers

- Licensed
- Trained



12,000
32,000



43,700
60,000



59,000
98,000



46,000
97,000



102,000
117,000



181,000

Better Cotton Hectares Licensed



38,400



144,000



262,000



193,000



353,000



505,000

Better Cotton Produced (In MT Lint)



20,000



107,500



185,000



158,000



310,000



482,000

Better Cotton Gin Uptake

20,000

1,300

310,000

155,000

● BC MT Lint Produced

● Gin Uptake (Mt Lint)

19.11

11.46

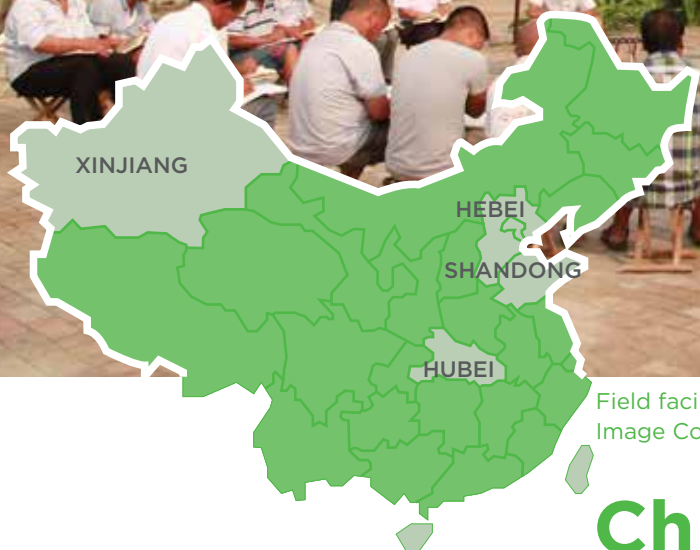
Cost Efficiency

● Euro / MT Lint

● Euro/ Farmer Licensed

10.98

3.62



Field facilitator training the farmers in a learning group

Image Courtesy : Guoxin

China

China is the second largest producer (after India) and the largest consumer and importer. About 24 million farmers and farm workers depend on cotton cultivation as a source of livelihood. In the global market, China's influence is enhanced by their national cotton reserve policy.

INVESTMENT STRATEGY

- High engagement with the industry and supply chain partners
- Drive self-reliance and cost efficiency with existing supply chain IPs
- Create a pipeline of scale projects with local government or association ownership

China is an important cotton sourcing geography for the BCFTP brands, and in anticipation of the need for Chinese Better Cotton, the BCFTP set out to work with local supply chain partners to create domestic Better Cotton supply.

In 2014, the Fast Track Fund invested 1.1 million Euro (15% of the fund value) in 10 projects. 112,000 MT lint of Better Cotton was produced, a significant increase from the last season, out of which 104,000 MT was taken up by ginneries. The projects covered an area of 53,000 hectares and 5,200 farmers were licensed to produce Better Cotton (96% of the total farmers trained in the Better Cotton production principles).

In 2014, BCI signed an agreement with the China Knitting Industry Association (CKIA) and in addition, the BCFT funded a pilot Better Cotton project with the Xinjiang Production and Construction Corps (XPCC).

Furthermore, BCI has also been actively liaising with the Ministry of Agriculture in China and took part in a stakeholder consultation process to develop and release the China Better Cotton Standard, while building relationships with local governments in Shandong Binzhou and Hubei Songzi to become Implementing Partners in 2015.

IMPLEMENTING PARTNERS

ADDACHANCE | COTTONCONNECT | GUOXIN | HUITONG | JINTIAN GOLDEN FIELDS | LUTHAI | HUAFU | SOLIDARIDAD | ZHONGLIANG | TAICHANG | XPCC

2012

2013

2014

2015
projections

Better Cotton Farmers

- Licensed
- Trained



3,500

3,500



4,600

5,200



5,200

5,800



96,000

Better Cotton Hectares Licensed



8,000



26,000



53,000



169,000

Better Cotton Produced (In Mt Lint)



26,000



51,000



112,000



361,000

Better Cotton Gin Uptake

26,000

24,000

26,000

24,000

112,000

97,000

- BC MT Lint Produced
- Gin Uptake (MT Lint)

Cost Efficiency

13.15

13.15

9.17

- Euro / MT Lint



BCI benchmarked with ABR Cotton
Image Courtesy : ABRAPA

Brazil

As the 5th largest cotton producing country in the world, the use of modern technology, government support and new cotton producing regions – have all provided Brazil the impetus to provide high quality cotton to the domestic and international markets. Mechanized farming and modern ginning facilities have resulted in a competitive and thriving cotton industry, leading the world in both - yield and fiber quality.¹

INVESTMENT STRATEGY

- Catalytic funding in developed markets to build capacity
- Opportunity to benchmark national standards with Better Cotton
- * Phased plan towards self-reliance in the short term

ABRAPA², a BCI IP since 2010, became a Strategic Partner in 2014 after completing a benchmarking exercise which aligned ABRA-PA's own ABR (Algodão Brasileira Responsável / Responsible Brazilian Cotton) programme, with the Better Cotton Standard. This means that today all ABR Cotton can also be procured as Better Cotton.

The Fast Track Fund had played a catalytic role in initiating Better Cotton and building capacity within ABRAPA in Brazil back in 2010. A notable achievement is that, from 2013 onwards, ABRAPA is no longer a recipient of funding from the BCFTP.

In 2014, 767,000 MT lint of Better Cotton was produced, across an area of 557,000 hectares and 188 farmers were licensed to produce Better Cotton – a testament to a successful partnership model.

¹Source: USDA Foreign Agricultural Service: Report - Brazil Cotton and Products Annual 2013

² ABRAPA and its state-based associations represent 99% of cotton farmland, 99% of cotton production, and 100% of cotton exports in Brazil.

IMPLEMENTING PARTNERS

ABRAPA

2011

2012

2013

2014

2015
projections

Better Cotton Farmers

- Licensed
- Trained



50

50



100

104



131



188



230

Better Cotton Hectares Licensed



25,000



210,000



215,000



557,000



700,000

Better Cotton Produced (In Mt Lint)



42,000



295,000



361,000



767,000



900,000

Better Cotton Gin Uptake

42,000

19,000

767,000

767,000

● BC MT Lint Produced

● Gin Uptake (MT Lint)

Cost Efficiency

9.87

2.04

● Euro / MT Lint



Women picking cotton using creton bags

Image Courtesy : SOLIDARIDAD

Mali

Mali is the second largest cotton producer in Africa contributing 8 percent to the GDP, and 25 percent to the total export value. Nearly forty percent of the rural population in Mali is dependent on cotton production, covering 200,000 farms. A main source of income, growing cotton is linked closely to access to education and health care. The cotton industry provides livelihoods for 4 million people – balancing rural migration by creating local jobs for the local population.¹

In 2014, the Fast Track Fund invested 580,000 Euro (10% of the fund value) in 2 projects. 34,000 MT lint of Better Cotton was produced, across an area of 80,000 hectares and 29,000 farmers were licensed to produce Better Cotton (56% of the total farmers trained in the Better Cotton production principles).

All farmers sell their cotton to the state-owned company - CMDT or Compagnie Malienne pour le Development du Textile who link the producers to the market through the value chain including input subsidies, ginning, marketing and facilitating export of the cotton. For this reason, the Better Cotton projects were designed at the very onset to work with CMDT as the Implementation Partner – in 2014, 18,000 MT lint of the total Better Cotton production was taken up by the CMDT (gin uptake).

In the first year of CMDT becoming an independent implementing partner, BCI has been engaging closely with CMDT to institutionalize the Better Cotton standard into the existing structure.

Source : ¹Cotton Technical Assistance Programme for Africa

INVESTMENT STRATEGY

- High engagement with CMDT
- Drive self-reliance and local ownership

IMPLEMENTING PARTNERS

SOLIDARIDAD | CMDT

2012

2013

2014

2015
projections

Better Cotton Farmers

- Licensed
- Trained



20,000
29,000



33,000
33,000



29,000
51,000



65,000

Better Cotton Hectares Licensed



63,000



86,000



80,000



187,500

Better Cotton Produced (In Mt Lint)



24,000



32,000

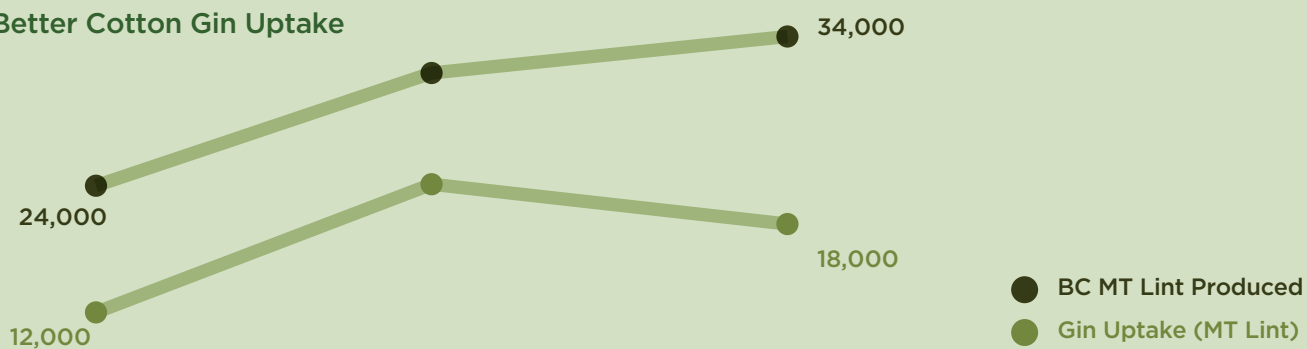


34,000

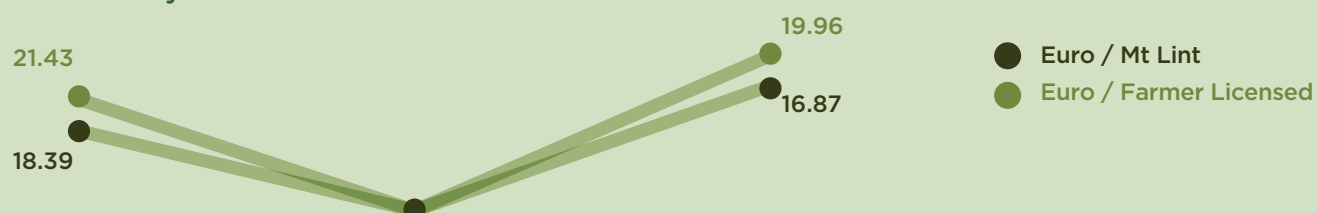


80,000

Better Cotton Gin Uptake



Cost Efficiency





Recording observations from a demo-plot to test good practices in cotton
Image Courtesy : OLAM

Cotton is major agricultural crop in Mozambique, ranking 6th in total export value. It is the main source of income for more than 300,000 smallhouseholds, in central and northern Mozambique¹. Most farmers cultivate less than one hectare of cotton, and the yield is amongst the lowest in the world (estimated at 200 kgs per hectare)².

INVESTMENT STRATEGY

- Expand portfolio to engage more concession holders as IPs
- Drive self-reliance and cost efficiency with existing supply chain IPs

Mozambique

In 2014, BCI signed an agreement with the Mozambique Cotton Institute (Instituto De Algodão De Moçambique-IAM) which saw BCI's Minimum Production Criteria embedded in the country's cotton legislation. IAM serves as the authority of the cotton sector in Mozambique and provides a package of practices to the concession holders (mostly national companies and some major international traders). In the framework of their strategic partnership, BCI works closely with IAM to build internal capacity and eventually, facilitate a transfer of ownership towards implementing the Better Cotton standard.

In 2014, the Fast Track Fund invested 502,000 Euro (6% of the fund value) with 2 major concession holders: OLAM and SANAM. 3,900 MT lint of Better Cotton was produced (2 times more than last year), across an area of 28,000 hectares and 37,000 farmers were licensed to produce Better Cotton (96% of the total farmers trained in the Better Cotton production principles).

The Fast Track Fund supports projects in Mozambique through implementing partners like OLAM and SANAM who are concession operators. For this reason, the uptake is high in Mozambique - in 2014, 2,900 MT lint was taken up by gins.

¹ Food and Agricultural Organization (FAO) - Report: MAFAP 2012

² USDA Country Database- www.cotton.org

IMPLEMENTING PARTNERS

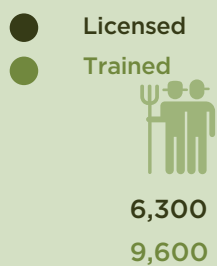
OLAM | SANAM

2013

2014

2015
projections

Better Cotton Farmers



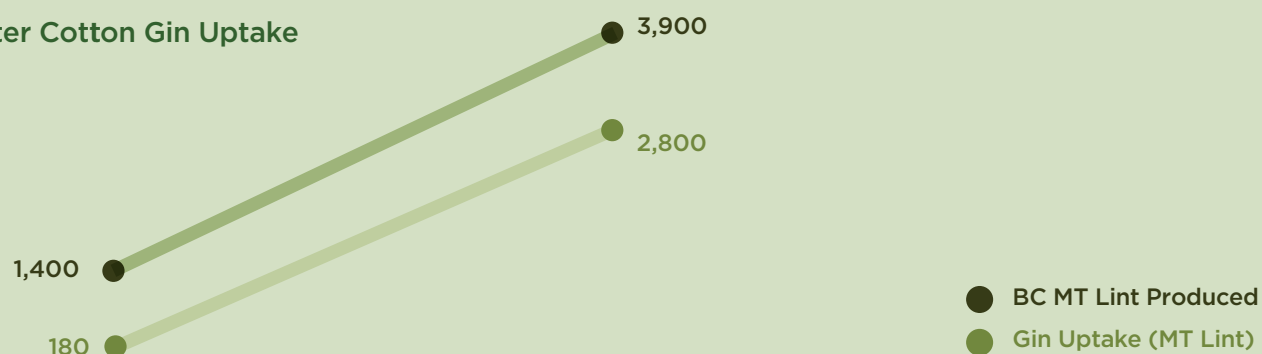
Better Cotton Hectares Licensed



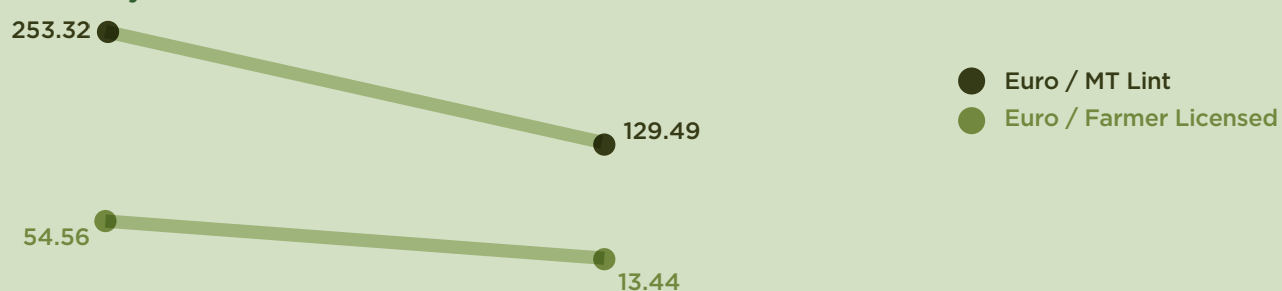
Better Cotton Produced (In Mt Lint)



Better Cotton Gin Uptake



Cost Efficiency



What's New at the Better Cotton Initiative

The BCI membership demonstrates the power of collaboration. 600 actors from a globally spread and complex supply chain uniting behind a common vision is truly unique and inspiring. Together we can definitely achieve our goal of 30% of cotton production as Better Cotton by 2020,

Ruchira Joshi,
Program Director - Demand
BCI





Credibility

One of the key achievements in 2014, BCI's application to join the ISEAL Alliance as an associate member was approved. Ever since BCI's establishment, the principle of continuous improvement has been part of their DNA and the ISEAL validation is a significant recognition of the Better Cotton Standard as it continues to move towards its goal of 30% of global cotton production.

Council

The BCI Council elected a new Chairperson this year - Susi Proudman, Vice President of Global Apparel and Equipment Materials at Nike succeeds Guido Verijke from IKEA in this role! The Council, elected by BCI members, is a multi-stakeholder platform (civil society, traders, manufacturers, brands and independent members) that ensures that BCI has clear strategic and policy direction to successfully fulfill its mission.

Leadership

The BCI Leadership Team also took a strategic decision to reorganize the organization structure to create and consolidate departments on demand generation and supply creation, led by Ruchira Joshi, Director Demand and Lena Staafgard, Director Supply respectively - reflecting the transition into the BCI Growth & Innovation Fund. Paola Geremica, formerly, leading supply creation in partnership countries will now take on the role of Director Communications and Fundraising, and Damien Sanfilippo will continue as Director of Standards and Assurance.

Membership

In 2014, BCI reached 468 members - a well-represented membership, from producer organisations to retailers and brands. Achieving high growth year on year, this is the 4th consecutive year with an increase of 50% or more new members.

Traceability

To further strengthen traceability for Better Cotton, BCI introduced, as a pilot, user accounts for fabric mills to the Better Cotton Tracer. For the first time, the fabric mills will be a part of the Better Cotton chain of custody, allowing BCI retailers and brands more visibility into the product origins, leading to a more transparent cotton sector as a whole.

Accelerating Retailer Uptake

Demand Strategy and Market Uptake in 2014



"For our company, trading Better Cotton is more than simply a trend; it is a strategic decision. Better Cotton is traded worldwide in substantial and rapidly growing volume - it isn't a niche market anymore."

"Our long term vision is that Better Cotton becomes a worldwide standard in terms of how cotton will be produced. The way the market for Better Cotton is growing and the commitment of all members of the BCI community, makes us believe that this is not only a vision, but will soon be reality."

Marco Bänninger, Reinhart
BCI Trader Member





The Better Cotton Fast Track Program not only accelerates the creation of Better Cotton supply in key geographies by channelizing collective public-private investments; but since the past two years, BCFTP has also played an instrumental role in working with the BCFT brand members and their suppliers to increase their Better Cotton uptake – ramping up the share of Better Cotton in their sustainable cotton procurement.

In the initial years of the BCFTP, the focus of the coalition was on creating adequate Better Cotton supply in key catchment areas within the BCFT brands' supply chains.

This focus has led to the creation of considerable capacity close to 1.4 million MT lint of Better Cotton across 6 countries in the BCFTP portfolio; in addition BCI has also been working to create capacity in key cotton production countries such as US and Australia, which lie beyond the BCFTP investment areas.

In 2012, first efforts were made towards linking the Better Cotton supply to the procurement channels and partners of the BCFT brands – but it was only in 2013 that the BCFTP engaged a supply chain specialist and defined a structured work plan that would drive uptake in the years to come.

The BCFTP proposed certain strategic market interventions and BCI had its own complementary demand strategy in place as well. We have come a long way since then – in 2014, 1 million MT lint of Better Cotton¹ was taken up by gins. Retailer uptake accounted for 117,000 MT² lint of Better Cotton as declared on the Better Cotton Tracer.

¹ The gin uptake volumes include Brazil which is account for as 100% gin uptake as it is a fully integrated system.

² Retailer uptake reporting period is June 2013 – December 2014.



1 Creating Capacity In Key Cotton Producing Countries

I was delighted to represent M&S at the BCFTP Investors Committee meeting in Amsterdam in January. As always, the meeting was very successful, it is an invaluable forum in which to share learnings, shape future strategy and most importantly of all, discuss and vote on future project applications”

We’ve learnt over the last few years that working collaboratively really makes a bigger impact and we can put our competitive differences aside in order to build that scale and capacity in the marketplace.

The result for us is that we are now sourcing more than 30% of our cotton in a more sustainable way. The majority of that is Better Cotton. We have an ambitious target to raise that to 70% by 2020. We’re confident that we’ll deliver that.

Phil Townsend

Sustainable Raw Materials Specialist

MARKS & SPENCER and member of the BCFTP

Investment Committee



BCFTP IC Meeting 2014 at the H&M office in Stockholm

To accelerate uptake by the BCFT brands, the Fast Track Fund aimed to create Better Cotton supply in their primary catchment areas.

In addition to traditional focus countries India and Pakistan, the BCFTP also created significant capacity in China in 2014, in anticipation of the changes in the Chinese Government's reserve policy and the resultant barriers to cotton imports into China.

The strategy to invest in Mali and Mozambique continued to support BCI's ambition to embed the Better Cotton production principles in implementation and ownership by trade associations and local government in order to manage future growth in supply and scale in operations.

As per the global BCI strategy, BCI also achieved success in creating Better Cotton capacity in the US via a pilot project, and in Australia by benchmarking with the MyBMP standard – two developed cotton producing countries, that accelerate the mainstreaming agenda for the Better Cotton standard.

BCI has already successfully built partnerships in Brazil and Turkey and a good supply from these countries has augmented the availability of Better Cotton.



Driving Uptake with BCFTP Brands

When H&M joined BCFTP; we were able to use the platform to learn from the more experienced members. Today, with a clear goal and a roadmap H&M can play a more supportive role in the BCFTP helping newer brands to get there.

Using more Better Cotton in our products means that we have a direct role to play in improving the livelihoods of all the small and marginal farmers from the developing countries that we source from.

There is an ever growing supply in the market from every consequent harvest and all the efforts made to engage the supply chain partners have started to yield good results.

BCI started as a brand-led initiative. Now it is time for this to be an industry initiative”

Harsha Vardhan

Environment Responsible - Global Production

H&M





Pramit Chanda, IDH conducts an onsite training for BCFTP brand H&M in China

In 2014, the BCFTP Investment Committee extended their approval to engage an experienced external consultant who would help the brands map their key suppliers, and facilitate greater awareness of the BCI Mass Balance Administration system¹ (introduced in 2013) in an intensive effort towards setting and achieving their Better Cotton procurement targets.

With the precedent of encouraging results and increase in uptake from the supply chain engagement in the previous year, in 2014, the conversations within the brands and suppliers matured and were focused on more practical application of the MBA system and trouble-shooting in key sourcing origins of the BCFT members in Asia - Bangladesh, India, China, Hong Kong and Pakistan.

Says Bradford van Voorhees, Senior Manager Supply Chain Sustainability at VF Corporation, 'The BCFTP has been instrumental in helping VF increase our Better Cotton uptake. As our team operates rather lean, the support from the consultant was critical in engaging with our key suppliers and mills, especially after the introduction of the MBA system.' The

BCFT supply chain specialist hosted several brand-specific trainings for the supply chain - creating awareness of the Better Cotton capacity created and available, working the MBA system, and benefits thereof. These trainings were particularly useful, and complemented the larger supply chain events hosted by BCI, as they allowed the brands to directly transmit their demand signals for procurement with a focused approach while being able to redress any resistance barriers from their suppliers.

¹ BCI's MBA system does not require (costly) physical segregation of the Better Cotton fiber along the supply chain, encouraging supply chain users to procure and use more of it. Industry actors still must procure physical Better Cotton at the start of the supply chain (thereby generating benefits for farmers and planet); they just don't have to track the physical Better Cotton yarn in the more advanced processing phases following initial procurement.

3

Engaging with New Retailers and Brands

“At BESTSELLER, we are very excited about joining the BCFTP. We have been working with Better Cotton during the last couple of years getting to know the system and the market. For us it is a natural development to take our actions a step further in order to increase our engagement with Better Cotton.”

“As members of the Better Cotton Fast Track Program, we are a part of very efficient supply creation of Better Cotton in the market. Furthermore (in collaboration with the other BCFTP brand members), we have received very valuable and competent support to gain momentum in the uptake of Better Cotton through our supply chain.”

***Katrine Milman and Dorte Rye Olsen,
BESTSELLER Corporate Sustainability***



BCFTP brands sharing experiences with new members at the BCI members meeting in Istanbul. © Better Cotton Initiative

In order to mainstream Better Cotton as a sustainable commodity, there is a need to accelerate market acceptance and procurement with representation across frontrunner brands. While the BCFT brands have led the way as ‘first-movers’ - in setting goals, making commitments and procuring Better Cotton – they still account for less than 5% of cotton consumption globally.

In 2014, BCI also re-launched the Demand Strategy leaning towards the recruitment of new brands as members. Through the year, BCI recruited a team focused on demand creation, reorganized their management structure and hosted a series of events to attract new brands to join the BCI. This will remain a key priority for the BCI in the foreseeable future.

The BCFTP and BCI also jointly organised key outreach events in the year – one such event was targeted at North American brands and retailers; and was hosted by VF Corporation at The North Face showrooms in New York City.

Prospective new brand members came together to

learn more about Better Cotton and BCFTP. BCI has been quite successful in converting leads from this event and other similar events they had hosted, and in early 2015, there have been several new brand members who have expressed a keen interest and followed up with membership to the BCI. The Demand Strategy is proving successful to date, with membership surpassing 600 members as of July 2015.

Furthermore, in 2014 BESTSELLER joined the BCFTP, making it the 11th brand to join the market driven coalition! BESTSELLER has been a member of the BCI since 2011; they have since contributed directly to support farmer training in India and have set themselves an ambitious and strategic goal to source Better Cotton which they are actively pursuing with visible results!



4 Working with Key Supply Chain Partners

“As a ginner, we are at the bottom of the supply chain and the brand sits at the top. Between us there are at least 6 players – spinners, fabric manufacturers, dying, garmenting etc. We sell our sustainable cotton fibre to our immediate customers – however, when you have the opportunity to talk and engage directly with a frontrunner brand, you get a sense of demand over the next 3-6 months – which for a traded commodity is the biggest boon you can receive!”

As a CEO, I can confidently say that when I am convinced of a brand’s motivations, when I have the opportunity engage with their management at a senior level and understand what their goals are – I can better envision the growth chart over the next 5 years, and I am in a better position to chart a path for SIPL in a more risk-free manner.”

Amit Shah
CEO and Founding Director
Spectrum International Private Ltd.



IDH and BCI visit supply chain partner, Hengfu in China

2014 saw a visible increase in spinner uptake (amounting to 361,000 MT lint Better Cotton¹) resulting from the introduction and awareness of BCI's new traceability system of Mass Balance Administration in the previous year.

For a wider net awareness, BCI hosted supply chain events for the existing and prospective membership base in New Delhi, Istanbul, Lahore and Shanghai; providing supplier members with a forum to display their Better Cotton products for retailers. In addition, BCI also hosted monthly webinars that focused on the operational topics such as user functions of the Better Cotton Tracer. (BCI's fully integrated online traceability system). Around 500 suppliers, 417 ginning companies, and 35 retailers and brands – a total of approximately 1,500 individuals attended these events and webinars over the course of the year.

The BCFTP supply chain consultant augmented this awareness by working with the individual BCFT brands and their key suppliers, ensuring their commitment to Better Cotton procurement to meet their annual targets. These individual meetings and

workshops allowed the brand to openly discuss the business opportunity of working with Better Cotton. However, the greatest contribution of the workplan has been the mapping of the various tiers of supply chain actors in the BCFT brands' supply chains, which has allowed for the development of such an intensive engagement between the retailer and their formerly 'invisible' supply chain.

The supply chain engagement work plan of the BCFTP may have laid the bedrock for working with Better Cotton; however the need is far from fulfilled and the brands and their suppliers will have to consciously practice the norms of BCI's MBA system to truly reap the benefits of traceability and credibility – cementing the incremental milestones as they continue to stride confidently towards meeting their procurement goals.

¹ Spinner uptake reporting period is June 2013 – December 2014.

BCFTP - What's Next?

2014 has been an eventful year of transition – counting down to 2015 which will mark the end of the visionary Better Cotton Fast Track Fund, bringing in the successor, BCI Growth & Innovation Fund. IDH The Sustainable Trade Initiative has been selected by BCI as strategic partner to the BCI Growth & Innovation Fund - providing the fund management services, in addition to IDH's role as a public funder.





The BCI Growth & Innovation Fund will be funded by the Volume-Based Fee (VBF), a market driven funding mechanism whereby, the BCI retailer and brand members are charged against their Better Cotton procurement as declared on the Better Cotton Tracer.

The VBF will populate the Fund and will be match-funded by public funders, which will then cover the costs of farmer capacity building. BCI is expecting uptake to grow steadily as the retailers and brands continue to work closely with their supply chain partners in 2015, and they re-launched a focused BCI Demand Strategy to drive this increase in procurement amongst the membership.

2015 is a year that will focus on capturing the successes and learnings from the BCFTP that can be incorporated into the foundation and development of governance frameworks of other future programs.

The BCFT Secretariat will initiate the framework and preparation of a learning document as well – a resource that will dig deep into the BCFTP Story – right from its early years to the high level engagement as it is today, the steep learning curve for both the private and public funders but also our implementing partners and supply chain partners – with whom we have achieved unprecedented scale and efficiency in the creation and uptake of Better Cotton.

Annexure 1: Better Cotton Fast Track Projects 2014

Project Name	BC Production	BC Farmers	BC Hectares
Brazil			
Abrapa - Brazil	767,354	188	557,571
Totals:	767,354	188	557,571
China			
Addchance - Xinjiang	0	0	0
Cotton Connect China- Xinjiang	6,780	1,168	3,390
Guoxin - Hebei	3,969	1	2,340
Huitong - Shandong	5,423	1,040	3,347
Jintian Golden Fields - Xinjiang	2,650	1	1,065
Luthai - Xinjiang	15,605	1,334	8,000
Solidaridad-HuaFu - Xinjiang	6,057	1,336	3,201
Solidaridad-Zhongliang - Xinjiang	4,593	210	2,065
Taichang - Xinjiang	9,508	72	4,116
XPCC-No.5 Division - Xinjiang	57,159	5	25,303
Totals:	111,744	5,167	52,827
India			
ACF - Bhatinda, Punjab	5,238	5,135	7,798
ACF - Chandrapur, Maharashtra	7,512	4,055	10,932
ACF - Kodinar, Gujarat	4,736	5,549	4,576
ACF - Marwar, Rajasthan	3,121	884	4,157
ACF - Nadikudi, AP	2,679	1,456	2,131
AFPRO - Dhoraji, Gujarat	14,907	6,710	18,762
AFPRO - Surendranagar, Gujarat	14,738	6,710	18,762
AFPRO - Wankaner, Gujarat	8,079	7,775	12,493
AFPRO - Yavatmal, Maharashtra	14,007	13,904	25,990
Anandi - Andhra Pradesh	2,466	3,517	2,989
Arvind - Akola, Maharashtra	4,771	4,000	6,024
ASA - Khargone, Madhya Pradesh	1,538	5,856	35,731
CottonConnect - Yavatmal and Wardha, Maharashtra	24,985	20,986	35,731
CottonConnect - Wankaner and Patan, Gujarat	14,045	10,085	15,535
Dilasa - Jalna, Maharashtra	1,044	1,343	1,765
Mahima - Nimar, Madhya Pradesh	9,606	7,752	10,393
Pratibha - Khargone & Jhabua, Madhya Pradesh	12,838	10,001	19,451
Pratibha - Rayagada, Odissa	5,339	7,014	8,545
PRDIS - Mahabubnagar, Andhra Pradesh	14,215	12,392	17,666
Spectrum - Surendranagar, Gujarat	13,708	5,438	16,123
Spectrum - Vidarbha, Maharashtra	14,451	8,066	21,811
Trident - Bathinda, Punjab	20,102	17,001	24,662
WWF India - Aurangabad, Maharashtra	4,026	4,183	5,735
WWF India - Mansa, Punjab	18,948	9,891	28,315
WWF India - Warangal, Andhra Pradesh	9,866	20,266	17,352
Totals:	246,965	200,840	337,616

Mali			
Solidaridad -CMDT - Koutiala	33,274	27,016	77,435
Solidaridad-CMDT - Sikasso,Bougouni	1,116	2,209	2,422
Totals:	34,390	29,225	79,857
Mozambique			
Olam - Morrumbala, Ribaue, AVZ	2,260	24,468	20,847
SANAM - Nampula	1,624	12,946	6,837
Totals:	3,884	37,414	27,684
Pakistan			
CABI - Sanghar, Sindh	16,943	2,535	19,151
Lok Sanjh - Tobatek Singh, Punjab	18,577	11,935	21,823
WWF PAK - Bahawalpur, Punjab	84,230	22,754	103,086
WWF PAK - Jhang, Punjab	19,924	12,751	23,496
WWF PAK - Rahimyar Khan, Punjab	74,978	15,384	88,650
WWF PAK - Sukkur, Sindh	80,212	24,976	79,461
WWF PAK - Tobatek Singh, Punjab	14,839	11,719	17,361
Totals:	309,703	102,054	353,028
Global			
	1,474,040	374,888	1,408,583

Annexure 2: BCFTP Overall Dashboard 2014

2014 Overview Of Actual Data	Brazil	China	India	Mali	Pakistan	Mozam-bique	Global
BC produced (MT Lint)	767,354	111,744	246,965	34,390	309,703	3,884	1,474,040
BC Farmers licensed	188	5,167	200,840	29,225	102,054	37,414	374,888
Farmers/workers trained	208	5,832	219,816	51,516	117,529	40,005	434,906
BC Hectares licensed	557,571	52,827	337,616	79,857	353,028	27,684	1,408,583
Number of Projects	N.A	10	25	2	7	2	46
Cost / MT produced (€)	N.A	9.9	13.2	16.9	3.6	129.5	9.3
Gin Uptake in MT lint	767,354	97,217	91,377	17,883	154,852	2,835	1,120,270
Gin Uptake in %	100%**	87%	37%	52%	50%	73%	76%

* The data for India is based on farmers licensed by BCI. The production may vary slightly and will be confirmed in the BCI Harvest Report 2014 to be released in October 2015.

** in Brazil, BCI has signed an agreement with the national standard - hence, all ABR cotton can be procured as Better Cotton. Owing to the existing vertical integration supply chain that processes ABRAPA's ABR cotton, we assume that gin uptake in Brazil is 100%

Annexure 3 : Acronyms

ABRAPA	African Cotton's Producers Association
ABR	Responsible Brazilian Cotton
AProCA	African Cotton's Producers Associatio
APTMA	All Pakistan Textile Mills Association
BC	Better Cotton
BCFTP	Better Cotton Fast Track Program
BCI	Better Cotton Initiative
BCI GIF	Better Cotton Initiative Growth & Innovation Fund
BUZA	Ministry of Foreign Affairs, The Netherlands
CKIA	China Knitting Industry Association
CMDT	Compagnie Malienne pour le Developpement du Textile
CMiA	Cotton Made in Africa
DANIDA	Danish International Development Agency
EB	Executive Board
GAP	Good Agricultural Practices
GDP	Gross Domestic Product
GUR	Gin Uptake Rate
IAM	Mozambique Cotton Institute
IC	Investors Committee
ICCO	Interchurch Organisation for Development Co-operation
IDH	The Sustainable Trade Initiative
IPUD	Turkey Cotton Association
MBA	Mass Balance Administration
MT	metric tonnes
RUR	Retailer Uptake Rate
SECO	State Secretariat for Economic Affairs, Switzerland
UBIC	Unique Bale Identification Code
VBF	Volume based Fee
XPCC	Xinjiang Production and Construction Corps
WWF	World Wide Fund

The BCFTP Investors Committee and Executive Board comprise of organizations that are committed to sustainability. Representatives of these organizations have been working together, through the BCFTP, since 2009 to drive initiatives that meet the global challenges prevalent today.

Through this report we also celebrate and appreciate their support to this Program:

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Dorte Rye Olsen	BESTSELLER
Katrine Milman	BESTSELLER
Harsha Vardan	H&M
Pramod Singh	IKEA
Natalie Hubbard	Levi Strauss & Co
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Phil Townsend	Marks & Spencer
Sally Williamson	Marks & Spencer
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