



Liz's Newsletter Issue No. 17, Winter 2012

Happy New Year!

Like most of you, the New Year serves as a time of reflection for me; consideration of the past year's events and accomplishments as well as planning for what the coming months will bring.

2011 was very fulfilling; I had the pleasure working with many dedicated partners to make some impressive contributions towards a more sustainable future. A few highlights include: supporting Olam International partner with the Better Cotton Initiative (BCI), the Dutch Sustainable Trade Initiative, and the Cotton Institute of Mozambique to bring the BCI to Mozambique; overseeing the calculation of carbon and water footprints; helping an apparel manufacturer comply with the California Transparency in Supply Chains Act; and conducting conflict-free minerals audits for the electronics industry. While perhaps seemingly disparate projects, all of my work this past year involved driving positive change in supply chains in a scalable and efficient manner.

I hope to continue to facilitate and support the integration of sustainability into global supply chains in 2012. This newsletter provides a glimpse of a few trends that I believe will strengthen in 2012 and provide such opportunities: planning for the adaptation to climate change; enhancing certification schemes to allow more flexibility in their application; and assessing the impacts of voluntary standards to understand where we can gain the most from our investments.

I am confident that we can preserve our planet for future generations by executing the most promising approaches and programs. I hope to have the opportunity to work with you towards this common goal in the new year.

Sincerely,
Liz

Cotton and Climate Change: Impacts and Options to Mitigate and Adapt

Cotton production globally will both affect and be affected by climate change. In its paper, *Cotton and Climate Change: Impacts and Options to Mitigate and Adapt*, the International Trade Centre (ITC) examines threats to cotton production posed by climate change and options to mitigate such threats. With the aim of stimulating discussions, the report presents key issues on the nexus of cotton, climate change and trade. Below I provide a brief summary of several of the key issues and impacts and how they differ from region to region. While the focus of this report is cotton, many topics are relevant to other agriculture products.

Along the cotton value chain GHG emissions are broken down as follows: 30-60% from consumer use, 20-30% from manufacturing and 5-10% from production. Given the higher level of threat to cotton production due to altered weather patterns, the ITC paper focuses on this segment of the value chain.

Cotton is adapted to semi-arid and arid environments and can be rainfed or irrigated. While it has some resilience to high temperatures and drought, the crop is sensitive to water availability. The authors provide snapshots of potential impacts in the top cotton production regions.

The negative impacts of climate change on cotton production are likely to be most acutely felt by producers in Xinjian (China), Pakistan, Australia and the western United States. Some of the impacts that these regions will feel include: lower water availability coupled with higher use of irrigation - leading to more pressure on water sources, lower yields, losses due to more frequent and pronounced climate variability (e.g. longer droughts or flooding), soil exhaustion and salinization due to increased mono-cropping and irrigation, and decreased water sourced due to diminishing glaciers (e.g. Pakistan). Arid regions (e.g. Yellow River region of China, India, southeastern U.S. and Turkey) may find benefits from climatic variations

(e.g. increased rainfall). Results in Brazil and West and Central Africa are unclear. You can find a detailed discussion on each region's predicted impacts in the paper.

The authors propose the following opportunities to reduce GHG emissions along the cotton value chain.

- Introduce carbon pricing policies to stimulate investments in energy conservation and renewable energy technologies.
- Raise consumer awareness on the benefits of more energy efficient ways to launder cotton products.
- Support and advise processing facilities on adoption of more energy efficient technologies.

Support and advise farmers on more efficient use of nitrogen fertilizer and encourage low tillage, improve soil, water and land management as well as low input farming practices. Market incentives to reduce GHG emissions include:

- Product carbon footprint standards: consumers are increasingly interested in purchasing products that have smaller environmental footprints.
- Carbon reduction investment and market opportunities: producers and processors in developing countries can take advantage of the Clean Development Mechanism (CDM) or other carbon trading mechanisms (e.g. Chicago Climate Exchange).

The paper concludes by suggesting the following options to adapt to climate change:

- Stop unnecessary nutrient loss from farming systems, preventing soil erosion and halting the burning of crop residues.
- Improve soil fertility management through inclusion of crop covers, plant diversity and limiting the time land lays bare.
- Time sowing to offset moisture stress during the warm period to maximize the length of growing season and prevent pest outbreaks.
- Breed and plant varieties that are more resistant to heat stress, droughts, weeds, pests and diseases.
- Optimize the use of sustainable, natural fertilizing sources in cotton production.
- Optimize the efficiency of additional fertilizer used.
- Optimize the water-use efficiency in the production of irrigated cotton.
- Optimize the use of industrial preparations such as pesticides, herbicides and defoliants.

Climate change will certainly impact agricultural production and processing. The cotton and agriculture industries should take steps to minimize its contributions and prepare for the adaptation to climate change. Brands and manufacturers can begin by improving their operations and those of their suppliers.

Evolving Certification Schemes

Though certifications have played an important role in setting the standards for ethical and environmental practices, there is a need to shift to new models that scale up positive change.

Consumers are increasingly confused by the various and numerous labels on the market - an estimated 426 certification and label schemes according to the Ecolabel Index - and many would prefer one over-arching seal. As consumers, as well as producers and funders, begin to evaluate the impact of various schemes with more scrutiny, it will be important to measure and report their costs and benefits.

SustainAbility's recent report [Signed, Sealed...Delivered?](#) assesses the values and challenges for organizations using certification, labeling and standards-setting as tools to improve economic, environmental and social outcomes across global value chains. Though the authors provide a high level analysis, they offer much to consider on how best to upgrade certification and labeling schemes to ensure they provide the highest level of benefit possible.

SustainAbility recommends that businesses think in terms of defining, delivering, demonstrating and creating demand for better sustainability outcomes across the value chain. The 4 Ds are described as follows:

- *Define* criteria for processes, performance or measurement that will result in better sustainability outcomes,
- *Deliver* better outcomes by providing technical expertise,
- *Demonstrate* that better sustainability outcomes are being achieved through certification, verification or some other assurance, and
- *Create Demand* for better sustainability outcomes from business-to-business (B2B) and business-to-consumer (B2C) customers.

Some key findings presented by SustainAbility include:

- Consensus-based standards embody inherent tensions. Strong governance and inclusiveness of credible, consensus-based standards pose challenges to its ability to evolve quickly and to differentiate. Likewise, the resource intensive certification requirements for credible schemes pose limits to scale.

- Businesses have realized the most value in working with certification and labeling to deliver, demonstrate and meet B2B demands. They experience both benefit and challenges from define, and least value of all in creating B2C demand. Businesses have also shared challenges with the slow nature of standards and creating B2C demand.
- Businesses are moving to separate certification use from communication. Two trends that SustainAbility notes are: 1) strategic use of independent certifications and standards to manage supply alongside other mechanisms, combined with 2) unique brand campaigns that create an emotional connection or communicating benefits to the consumer.
- Businesses will likely innovate to deliver outcomes that complement certification with strong supplier-buyer relationships, and use the power of their brands to mobilize consumers into adopting more sustainable behaviors.

SustainAbility recommends that businesses deconstruct traditional models that interlink standards, certification and on-product labels and use a "toolbox" approach that provides flexibility in how they can best influence positive outcomes under various and dynamic conditions.

They propose a shift to models that increase pre-competitive standards that promote collaboration and lead to large changes in supply chain and consumer norms and behavior and hold businesses accountable; embedding standards into business models to transform supply chains and consumer behavior.

I applaud SustainAbility for their research, report and recommendations. I feel privileged to have contributed to their study as well as help celebrate the report's launch with [a blog](#) on the true cost of traceability.

Impacts of Voluntary Standards on Producers

Part two of a four part series, [The Impacts of Private Standards on Producers in Developing Countries, Literature Review Series on the Impacts of Private Standards - part II](#) (International Trade Centre, 2011) presents results from 47 research papers regarding socioeconomic and environmental impacts of private standards on producers in developing countries. Programs reviewed include coffee, forestry, herbs, spices and vegetables. Below I provide a brief overview of the study's findings.

Costs

- Costs associated with participating in certification systems include audits and certifications, trainings, recordkeeping, and system upgrades.

Benefits

- Overall, the study indicates that producers benefit from participating in private standards but this is not a uniform conclusion. Some producers benefited from price premiums, enhanced business conditions, better relationships with buyers, better management and farming skills, improved market access, or enhanced product quality and yield. Producers appear to be most appreciative of technical support and access to credit.

Mixed results

- A number of studies found mixed results on net income for producers and some found a negative impact due to the cost of certification. Price premiums, improved product quality and increased yields appear to exceed the costs incurred to participate in certification programs. It is worth noting that some studies (Kilian et al., 2006) demonstrate that price increases were limited to superior quality product (coffee).
- While producers may benefit, the study found improved revenues were unevenly distributed with the higher benefit going to the retailer.
- Farmers living at subsistence level and barely covering their costs of production are already in a difficult situation and unprepared to make additional investments with uncertain payoffs.
- Another mixed finding was the benefit of cooperatives as a facilitator to the certification process. Some studies indicated that cooperatives may not always manage to improve producers' situations and are efficient and effective in delivering services to farmers.

Additional considerations

- The study found that results improve in value chains that have strong seller-buyer relationships as opposed to transactional value chains. In strong partnerships, both parties were more likely to benefit from their shared investments.
- For producers who opt to participate in certification schemes, the increasing number of certifications may dilute the marketing value of certifications in general, thereby reducing market and demand related benefits.
- The authors also suggest that private standards are one tool in a broader set of voluntary and regulatory options. Programs that address multiple areas such as technical support, training, and financing are linked to better results. Leveraging existing programs and resources can help improve benefits and minimize costs.