



WWF and IKEA Project Report - April 2014

Photo Anders Envall, Vingalund



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OVERVIEW

Conventional cotton farming often comes at a high price for people and the environment. Most cotton is

grown and picked by hand on small farms in developing countries, and the farming techniques involve intensive use of water, chemical pesticides and fertilisers. Cotton is a thirsty crop but often grown in drought-prone areas, contributing to local water scarcity. Soil erosion and loss of biodiversity are also common issues.

At the same time, many cotton farmers struggle to make a profit, and the industry is known for problems such as child labour, and health risks associated with the use of chemicals.

In 2005, WWF and IKEA started cooperating with the aim to make cotton farming more sustainable, and the joint projects in India and Pakistan have showed strong environmental, social and economic benefits.

WWF and IKEA - A partnership for change

IKEA and WWF share common interests, particularly in seeing the considerate, efficient, long-term economically sound use of natural resources and ensuring that the use of renewable natural resources is sustainable.

The partnership, started in 2002, is founded on each partner's unique competencies and we now run joint global projects in 13 countries to promote sustainable use of resources within the forest and cotton markets.

The partnership also strives to inspire other companies and networks to address environmental challenges and create a better and more sustainable everyday life for the many people.

By working together we accomplish more!

BACKGROUND

Cotton is a renewable resource with great qualities, but also associated with major environmental and social challenges. Both WWF and IKEA see the need to tackle these from several fronts by a variety of stakeholders with the ambition to transform the cotton market.

What we are doing with cotton is a great example of market transformation. We have an amazing opportunity to tip an entire market to becoming more sustainable.

Simon Henzell-Thomas,
IKEA Sustainability Policy & Partnership Manager

Cotton Partnership Aims for Market Transformation

“We can do a lot to improve standards in our own supply chain by working with suppliers and so on, but some issues are systemic and not something we can solve on our own. Together with a strategic partner with expertise, like WWF, we have a much bigger impact. And because IKEA is a big market player, we have a responsibility to be part of a wider movement,” says Simon Henzell-Thomas, IKEA Sustainability Policy & Partnerships Manager.

WWF and IKEA were founding members of the Better Cotton Initiative (BCI) and support its efforts to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity. Some predict that this could be a reality before 2020.

“The speed of developments when it comes to cotton is unprecedented – no one could ever have expected it to move ahead so quickly. An important success factor is that both organisations have such engaged and hard-working co-workers, not least in the field. They make great efforts,” says Marcus Albers, Manager Corporate Partnerships WWF Sweden.

Simon Henzell-Thomas agrees:

“What we are doing with cotton is a great example of market transformation. We have an amazing opportunity to tip an entire market to becoming more sustainable.”



Photo IWWF Pakistan



Photo Anders Envall, Vingalund



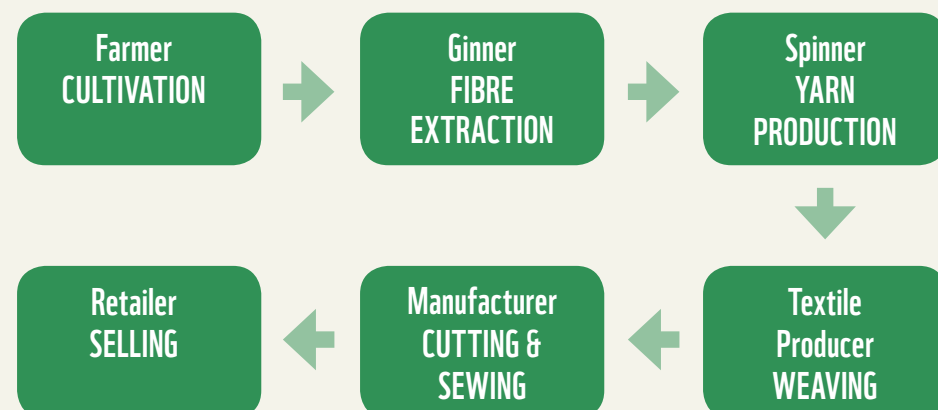
Photo Anders Envall, Vingalund



Photo Anders Envall, Vingalund

Cotton takes about six months from sowing to harvesting. Once picked, the cotton is bagged and transported to the local gin where the lint is separated from the seeds. The lint is traded in man-high bales before being carded and spun into a yarn which is woven to make fabrics.

A typical cotton supply chain often involves several companies in different countries before the finished product reaches consumers. Addressing sustainability issues already at farm level is important in order to create lasting and large-scale improvements in conventional cotton.



Facts About Cotton

- 2.5% of the world's cultivated land is used to grow cotton
- Cotton accounts for up to 10% of global pesticide use
- Cotton is grown in around 80 countries around the world
- The largest producers are China, India, USA, Pakistan, Brazil and Uzbekistan
- Some 300 million people work in the cotton industry
- On average, 10,000 litres of water is used to grow one kilogram of cotton, but it can require three times as much if farming practices are poor
- Nearly half of all textile production is based on cotton

Source: waterfootprint.org

We started with 500 farmers. In the beginning, they were not ready to listen to the environmental or social issues; they were only interested in saving money. But the results were very encouraging already after just one year so WWF and IKEA agreed to expand the projects.

Arif Makhdum, Director Sustainable Agriculture Program WWF Pakistan

From 500 Farmers to 43,000

IKEA and WWF agreed to start joint cotton projects in 2005. At the time, WWF had been concerned about water-related issues in South Asia's cotton-growing regions for some years, and IKEA had unearthed worrying facts about cotton's impact on people and the environment when mapping its cotton supply chain in 2004. Something had to be done to make conventional cotton more sustainable.

"When we first started the projects, neither IKEA nor WWF really knew what needed to be done to tackle the challenges with cotton farming. The first phase was experimental, with lots of innovation. We have learned a lot and achieved a lot," says Murli Dhar, Associate Director Sustainable Agriculture Program WWF India.

"Some people suggested IKEA should abandon cotton altogether and some said we should move our sourcing to 'safe' countries like the US. But IKEA has the financial power and are big enough to change things, so instead we decided to work with WWF and do something about the problem," says Guido Verijke, who was part of setting up the joint projects when he was Deputy Business Area Manager Textiles at IKEA of Sweden.

WWF brought together a range of concerned stakeholders - including IKEA - with a desire to work together to define a system for cotton production which would have less impact on people and on the environment. This was the start of the Better Cotton Initiative (BCI) in 2004, but it would not be until 2009 before it had developed global principles and criteria for Better Cotton.

"WWF and IKEA were founding members of the BCI, but we wanted to speed things up. We started working with WWF in Pakistan first, thinking that if we can change things here, we can change it anywhere," Guido Verijke remembers, adding that the first project in India soon followed.

Hands-on training sessions and field schools give cotton farmers the opportunity to learn better farming techniques and see the benefits for themselves.



Photo WWF Sweden



Photo Anders Envall, Vingalund

When applying the better farming practices, farmers often get quick results in terms of increased crop yields and less need to use precious water. And by using less chemical pesticides and fertilisers, farmers save money, too.



Photo Anders Envall, Vingalund

The positive results spread like ripples in water. Farmers that successfully adopt more sustainable farming techniques become advocates and inspire their neighbours to do the same.

Increased earnings mean that farmers can afford a better quality of life for their families, including schooling for the children.



Photo Anders Envall, Vingalund



Photo Anders Envall, Vingalund

Farmers received hands-on field training in cultivation practices that meant cotton could be successfully grown with less chemical fertilisers and pesticides and less precious water. Arif Makhdum, Director Sustainable Agriculture Program WWF Pakistan, was on the ground from the start:

"We started with 500 farmers. In the beginning, they were not ready to listen to the environmental or social issues; they were only interested in saving money. But the results were very encouraging already after just one year so WWF and IKEA agreed to expand the projects."

The results inspired more and more farmers to join the projects in the two countries, and some 43,000 joint project farmers in India and Pakistan are now using more sustainable farming practices. In 2010, project farmers in Pakistan were the first in the world to produce licensed Better Cotton.

Examples of More Sustainable Farming Techniques

Under the projects, farmers adopt more sustainable farming techniques – modern ones as well as almost forgotten traditional ones. Here are some examples:



Photo Inter IKEA Systems B.V.

Less chemical pesticides

Many insects seek out maize before cotton so planting maize around their crops acts as an early warning system for pest attacks.

Pheromone traps help farmers monitor the type and number of insects, and prevent unnecessary spraying.

Many farmers use traditional techniques to replace or complement chemical pesticides, such as bio-pesticides like neem oil.



Photo Inter IKEA Systems B.V.

Less chemical fertilisers

Organic compost and manure improve soil quality, and reduce the need for costly artificial fertilisers.



Photo Anders Envall, Vingalund

Less water

Drip irrigation systems get the water to where it is needed most, so less is wasted. With less water in the soil, weeds can't grow.



Photo WWF India

Better earnings

Basic equipment such as aprons, make harvesting easier and prevent contamination with air and debris. Cleaner cotton gets a better selling price.

RESULTS TO DATE

The partnership's joint cotton projects in India and Pakistan clearly show that not only the

environment benefits from more sustainable farming practices - in 2013, project farmers' earnings in India were around 45 percent higher compared to those using conventional cultivation methods.

Project Results 2013

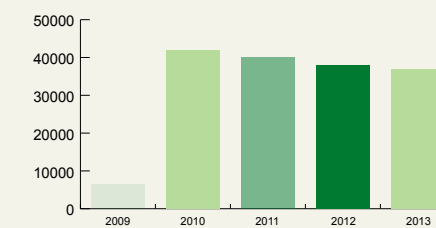
Each year, WWF takes data from project farmers and data from a sample of conventional farmers and compare them by calculating the difference in average use of pesticides, fertilisers and water. The calculations provide an indication of the situation of both types of farmers in a given year. The changes observed are calculated by comparing the averages from BCI farmers who use Better Management Practices with the averages of a control group of farmers who do not use BMPs (in any given year). While the results suggest that Better Cotton practices can result in reductions in fertiliser use, pesticides and water, impact studies – over a longer period – are needed to confirm this trend.



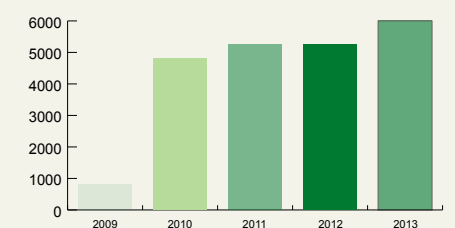
Average 2013 results Pakistan* (Bahawalpur and Toba Tek Singh, Punjab):

- 37% less pesticides
- 21% less water
- 22% less fertilisers
- 29% increase of farmers' gross margins
- ~ 37,000 farmers active

Number of BMP farmers Bahawalpur & TT Singh, Pakistan



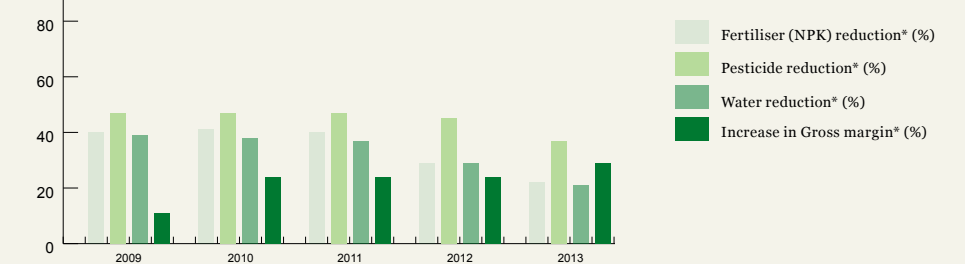
Number of BMP farmers Aurangabad, India



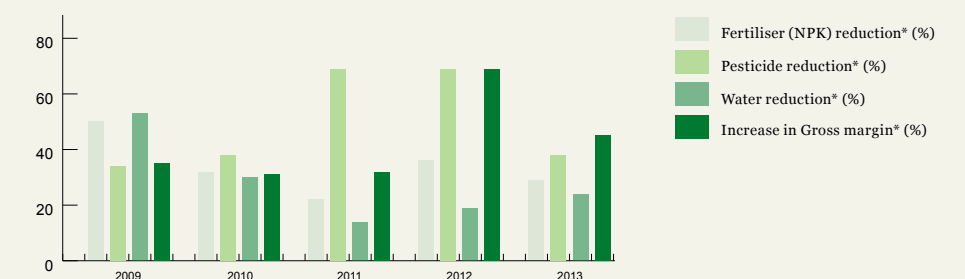
Average 2013 results India* (Aurangabad, Maharashtra):

- 38% less pesticides
- 24% less water
- 29% less fertilisers
- 45% increase of farmers' gross margins
- ~ 6,000 farmers active

Difference in use of pesticides, fertilisers and water Bahawalpur & TT Singh, Pakistan. In percent %



Difference in use of pesticides, fertilisers and water Aurangabad, India. In percent %



* Data from these projects may differ from BCI due to the methodology for how data are collected and processed.

57 000 TONNES

OF LICENSED BETTER COTTON LINT - MOSTLY FROM PAKISTAN AND THE AFRICAN CONTINENT - HAD BEEN PURCHASED AS OF MARCH 15, 2014.

IKEA aims for 100% cotton from more sustainable sources by the end of 2015

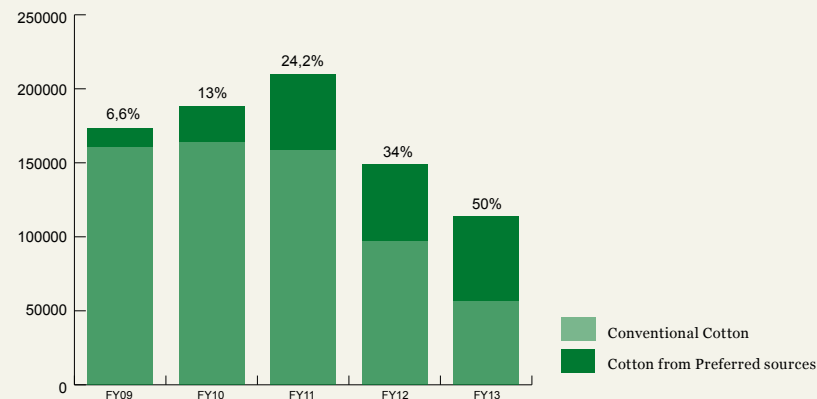
The IKEA supply chain secured enough cotton produced from more sustainable sources¹ and covered more than 2/3 of the predicted total need for IKEA products in the financial year 2013 (FY13).

“It is exciting that we have crossed the 50% goal and this has been a significant achievement. There is still a way to go to meet our 2015 goal and I am sure that with the continued collaboration we will secure this,” says Pramod Singh, Cotton Leader at IKEA.

Almost 57,000 tonnes of licensed Better Cotton lint – mostly from Pakistan and the African continent – had been purchased as of March 15, 2014. An additional approximately 17,000 tonnes of lint was sourced from farmers working towards the Better Cotton Initiative (BCI) standard, bringing the total to almost 57,000 tonnes or 50% of the estimated need for FY13. Last year, in FY12, the share of cotton from these preferred sources in IKEA products was 34%.

Cotton is an important raw material for IKEA, and the company uses around 0.6% of the world’s cotton production every year. It can be found in many popular products, from sofas, to cushions, bed sheets and lamp shades. The goal is that all cotton used in the IKEA range is from more sustainable sources by the end of 2015.

The share of more sustainable cotton in the IKEA range has increased rapidly since 2009. The WWF and IKEA Partnership has been pivotal.

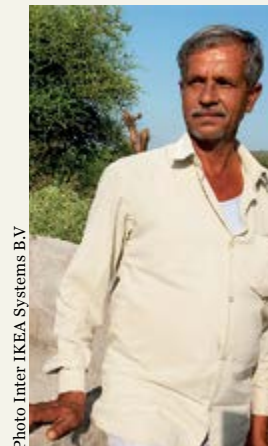


¹ More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the USA and cotton from farmers working towards the Better Cotton Initiative standards.

PROJECT FARMERS' TESTIMONIALS

Today, some 43,000 farmers in India and Pakistan are using cotton farming techniques that are better for both people and the environment. Here are testimonials from two of them.

“Our yields have improved”



Swarupchand Maher's life has improved a lot since he became part of the joint cotton project.

The once lush Godavari river basin in central India now experiences regular droughts due to climate change and decades of poor water management. But farmers, like Swarupchand Maher, have improved their livelihood despite the difficult circumstances.

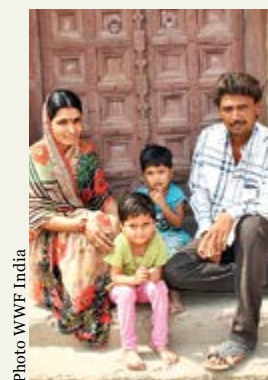
“Before, it was hard to make enough money from selling our cotton and vegetables. With the new techniques, our yields have improved. We don't have to spend so much time on weeding and watering and we're using less pesticide”, says Swarupchand Maher.

Income from cotton and vegetables on Swarupchand's 28 acre farm in India's Maharashtra used to barely support his household of 11 people. But since getting involved in the IKEA and WWF project to promote more sustainable farming practices, his income has improved and his family enjoys a better quality of life.

Swarupchand has adopted drip irrigation for 14 acres of cotton, saving water and cutting down on weeds. He can now grow vegetables between his cotton plants, and with less watering and weeding to do he needs to spend less time in the field. He uses more organic fertiliser, which is improving soil quality, and has cut down on pesticide. The pesticides he uses are mixed to meet the conditions in his fields combining chemical and traditional solutions.

He continues to attend the classes at his local resource centre so he can keep up-to-date with new farming methods, and inspire other farmers in the village to follow his lead.

“Now we can use modern technology”



Vasant Madhavrao Shinde's crop yield has doubled and costs have been halved with the help of better farming techniques.

Vasant Madhavrao Shinde is a cotton farmer living in a small village in Maharashtra's Jalna district in India. His crop yield has doubled and costs halved with very basic methods, and Vasant Madhavrao Shinde is grateful for the techniques he was taught and lessons he learned by participating in the project.

“We are illiterate but now we can use modern technology and select what is best for our cotton field,” adds the confident farmer.

He has also become aware of the risks associated with traditional practices and is now cautiously following all the safety recommendations he has received from the project.

“I have greatly benefitted from the path shown by the project”, says Vasant Madhavrao Shinde.

BEYOND PARTNERSHIP PROJECTS

Nine years into the cotton partnership, and with some very impressive results to show for it, WWF and IKEA want to support sustainable cotton production beyond the joint projects on the ground in India and Pakistan.

WWF and IKEA Prepare for Sustainable Cotton Production Beyond Projects

The goal is to help transform the global cotton market and make Better Cotton an affordable, mainstream commodity that is better for the people who produce it, better for the environment it grows in and better for the sector's future.

Building Better Cotton capacity

All IKEA funded projects are now being adapted to be licensed to grow Better Cotton.

"We've made a big impact on the field through the WWF and IKEA projects, both on the health of the people and on the environment. We are ensuring sustainability by building the capacity of our local partners and the farmers themselves," says Mizuki Murai, Cotton project Coordinator at WWF-UK.

Scaling up farmers' capacity to produce Better Cotton is a prerequisite if it is to become a mainstream commodity and a real alternative to conventional cotton. This is why the joint project in Pakistan now helps establish and support producer organisations – with and for farmers – that in turn provide support to those who want to produce Better Cotton. The partnership is also working to understand the water footprint and greenhouse gas emissions of cotton production in India and Pakistan, and to develop a plan of action to address these issues.

Social issues more difficult

While it has proved relatively easy to demonstrate the benefits and motivate farmers to address cotton farming's environmental challenges, social issues have proved more difficult to tackle. But farmers wanting to produce Better Cotton must show continuous improvements also when it comes to the BCI's "decent work" criteria. They cover areas such as freedom of association, child labour, health and safety, and employment conditions.

"There are many social issues connected to cotton production in south Asia and the issues are a result of many inter-linked causes. It requires a long-term, integrated approach between many stakeholders to solve the issues. IKEA coordinate our cotton work with relevant partners to secure long lasting result," says Pramod Singh, Cotton Leader at IKEA.

"Many people in the project areas are illiterate. They don't have access to health facilities and sometimes not to any education. Household incomes are very low," says Arif Makhdum, adding that WWF is collaborating with various organisations and government bodies to support farmers' ongoing improvements.



Photo Anders Envall, Vingalund

Addressing environmental challenges are easier than tackling cotton farming's social issues.

Many people in the project areas are illiterate. They don't have access to health facilities and sometimes not to any education. Household incomes are very low.

Arif Makhdum, Director Sustainable Agriculture WWF Pakistan

Results to be proud of

In a relatively short period of time, the joint cotton projects have contributed to substantial change and touched the lives of many thousands of people in South Asia.

"The environmental, health and financial benefits that farmers and cotton pickers have experienced through our partnership project are truly incredible. When we translate our efforts into the number of people we have reached out to, we have achieved quite significant impacts," says Mizuki Murai, Cotton project Coordinator at WWF-UK.

Hammad Naqi Khan, WWF's Global Cotton Leader, Market Transformation Initiative says that the partnership has played a very important pioneering role, and that he is impressed with the commitment from IKEA:

"Many big companies give money to a cause and that's it. IKEA set a good example by being directly involved in the field and learning everything about every step in the supply chain. Few companies bother to do that, but IKEA was willing to dig deep into the nitty gritty details of cotton."

"We could never have achieved this without the enthusiasm from the people who believed we could make a difference," says Guido Verijke.

The joint projects have touched the lives of many thousands of people in South Asia



Photo Anders Envall, Vingalund



Scaling up farmers' capacity to produce Better Cotton is a prerequisite to make it a mainstream commodity.



BCI aims to have Better Cotton make up 30% of global cotton production by 2020.

BCI has the ambitious aim of having Better Cotton make up 30% of global cotton production by 2020. This would mean working with 5 million farmers across the world, bringing benefits to 20 million people involved in primary production alone. Collaboration is the key to achieving this ambitious goal.

Lena Staafgard, business director at BCI

Better Cotton Could be Mainstream Commodity Before 2020

The availability of Better Cotton – cotton produced and licensed according to the social and environmental criteria set by the Better Cotton Initiative (BCI) – is increasing rapidly, and production could be large enough to make it a mainstream global commodity before 2020.

“Only 2% or 670,000 metric tonnes of the cotton lint produced globally in 2012 were Better Cotton. But a lot of people in the industry now feel we could have a significant ratio on the market before 2020,” says Hammad Naqi Khan, Global Cotton Leader at WWF International’s Market Transformation Initiative.

“BCI has the ambitious aim of having Better Cotton make up 30% of global cotton production by 2020. This would mean working with 5 million farmers across the world, bringing benefits to 20 million people involved in primary production alone. Collaboration is the key to achieving this ambitious goal,” says Lena Staafgard, business director at BCI.

Pramod Singh, Cotton Leader at IKEA believes that to make better cotton a tradable commodity it is important that significant quantities of Better Cotton are produced in China, the biggest producer and consumer of cotton. Also USA, the biggest exporter country of cotton, need to produce large quantities. However all this would be futile, if Better Cotton would be traded at differentiated price.

WWF and IKEA were founding members of the BCI and the partnership supports its aim to transform cotton production worldwide by developing Better Cotton as a sustainable commodity.

“This is why IKEA doesn’t buy all the Better Cotton produced by the project farmers,” says Guido Verijke. He was part of setting up the joint projects in 2005 when he was Deputy BA manager Textiles at IKEA of Sweden. Today, Guido Verijke has a new role at IKEA, but remains the BCI chair.

“We create three times the capacity that we need not only to avoid premium prices but because IKEA truly wants to do something about the social and environmental problems in cotton production. We want to create a better life for the many people, not just our customers,” he says.



Better Cotton will fail to become a mainstream commodity if it is more expensive than conventional cotton.

Premium Prices for Better Cotton a Challenge

Cotton cultivated with practices that require less chemicals in the form of fertilisers and pesticides is better for the environment and often cheaper for the farmer to produce because he saves money by not having to buy as much chemicals. This win-win perspective is part of the reasoning why Better Cotton should not be allowed to become a premium-prices commodity.

“Still, we have a challenge here,” says Arif Makhdum, part of the team that started the joint cotton projects in Pakistan in 2005. “Some supply chain actors feel they do something special that they don’t get anything extra for.”

“I agree,” says Pramod Singh, Cotton Leader at IKEA. “Differentiated prices for Better Cotton have been developed in many countries due to the gap between demand and supply. It is in these moments that retail and brand members of BCI need to stand firm. The way forward is to increase the supply evenly over more markets around the world,” Pramod Singh adds.

IKEA and other retailers who are members of the Better Cotton Initiative stand firm:

“We will not pay premium prices because this counteracts our goal to make Better Cotton a sustainable mainstream commodity. The moment it becomes more expensive than conventional cotton it will become a niche product,” explains Guido Verijke at IKEA.

Hammad Naqi Khan, Global Cotton Leader at WWF International’s Market Transformation Initiative agrees:

“Retailers have to stick to not allowing a premium, and pay only for real production costs. But it is an open market commodity, subject to supply and demand mechanisms. And when demand rises, some people do see an opportunity to make money.”

Better Cotton Initiative (BCI)



BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector’s future. It works with a diverse range of stakeholders to promote measurable and continuing improvements for the environment, farming communities and the economies of cotton-producing areas. BCI aims to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity.

Read more at bettercotton.org

