



**INTERNATIONAL
COTTON
ADVISORY
COMMITTEE**

**6th MEETING OF THE
PSAC TEXTILES COMMITTEE
Wednesday, July 24, 2024
8:00 am, Washington DC**

Minutes

The PSAC members who attended the meeting: Hamma Kwajaffa, Mark Sussman, Dr Javed Hassan, Peter Wakefield, Anees Khawaja, Mohomed Bashir

Observers/Presenters: Gaurav Agarwal

The ICAC Secretariat staff who attended the meeting:
Parkhi Vats, Eric Trachtenberg

Meeting video: <https://youtu.be/UW9y5Rh7eW4>

Presentation by Gaurav Agarwal, Aditya Birla Group: <https://youtu.be/aoyIylaYAGc>

Presentation by David Kam, Trans Pacific Textile: <https://youtu.be/wBgwUHF5-k>

The Chair started the meeting and welcomed everyone. Parkhi reminded the participants about the PSAC goals for 2024.

Presentation by Eric Trachtenberg on the EU regulatory landscape

Mark: How can we get in touch with “Make the label count”?

Eric: I will paste information to the chat.

Peter: I will write to all PSAC organizations and provide the information to all members, including those who was not able to make it onto the call.

Javed: When we go for traceability, there must be some cost on farmers side, like keeping the data from the farms, from which farmer the cotton is coming, things related to varieties and geo-tagging locations, etc. Then there will be cost on the ginner side. My question is who will bear these costs, will brands do that? The second point of view is that we must have a central traceability system, because right now, everyone has its own traceability.



Eric: We have a lot of competing systems with all different traceability standards. Eventually to compete in the market, they're all going to have to be compliant. In some ways, the market is going to work its way out, but it does relate to the second issue you raise, who ultimately pays. Unfortunately, a lot of times it seems to be that the smallholder farmer pays, which is problematic, and this is a general problem with systems that require certification. Who pays? Brands and retail don't want to pay. Everybody's on tight margins. The market's competitive, and we need to come up with a way to be sure that the poorest people aren't paying the most. On the international development side, there are development organizations or some private sector actors that are trying to address this issue. But agricultural supply chain is very complex, and one can simply resort to simpler options.

Mark: We're going to launch another certification for social benefits and the social side of ESG, and we're going to use ginners and spinners in India to connect with the 62,000 farmers that they purchase from. The cost of a certification system cannot be borne by the actual small farmers, we are talking about five hectares or less. These are the ones that we really want to help the most, and the cost can't be borne by them. The ginner is probably where you're going to find the cost benefit, or somebody that's going to be able to afford it. If ginners and spinners get certification of their supply chain, they have an added value yarn or an added value fiber. From our discussions with many different ginning and spinning operations in India and Pakistan, we know that they will probably bear the cost, because added value of having a certified yarn has the most benefit in the advertising and promotion. We've developed a tracing system that goes from farmer to ginner to spinner, all the way through the textile and garment manufacturers, but we started with the large garment and textile manufacturers, and kind of reverse engineered it to get in touch with the farmers themselves. We found out that the costs must be in the middle of the chain. Brands and textile companies will not afford that, but ginners and spinners will, because it adds value for their marketing and advertising.

Eric: The key is finding someone willing to pay. Then it doesn't land on the smallholder farmer. For the cheapest products, this model probably is not going to work. But if you move up the value, then there is more hope.

I think as these EU regulations develop, having that traceability system in place will be incredibly helpful, but the details of that are still being discussed.

Peter: The details are still being discussed, which means we still have opportunity to have input.

Eric: I think the regulators realize they do want to hear what others say. The technical Secretariat of the PEF is dominated by synthetic interests. The voting members must pay to be a voting member, something over \$100,000. It was built heavily around Higg,



but then it goes through different levels of consultation and a public debate. The origin may be a little bit problematic, but there are a lot of chances to make your voices heard.

Presentation by Gaurav Agarwal, Aditya Birla Group

Parkhi: Are you facing any issues with the upcoming EU regulations for sustainability and traceability? Is there anything that's new or affecting you?

Gaurav: We have two things to focus on now. One is on the raw material side, which is European Union Deforestation Regulation. Since it's a very stringent kind of law, we are working with the suppliers, because the requirement is to get geo-locations and everything from where we get the wood. The second challenge is on the green washing law, which is coming up in Europe.

MMCF have grown at a very good pace in last decade or so. They are being seen as a good substitute for synthetics in many applications. Regarding that, the EU has already passed a directive called SUPD, single use plastic directive.

Peter: You mentioned in previous meetings that a lot of your traceability and sustainability initiatives came from your own company, and you consider that they were good for your business. With the regulations, do you have to modify those, or is it something that's relatively comfortable for you to take something you already have and modify into the new regulations, or is that a lot of time-consuming, expensive work?

Gaurav: There are both aspects. First, we have already started some of the work. We have a traceability platform which is based on the blockchain technology. We provide end to end traceability of the material. However, with respect to EUDR, there is much more to do, because you need to have the exact geo-locations of the wood or the pulp that is procured. Some of the things were done ahead of time, and few things must be done again.

Mohomed: When you look at water consumption in the cotton value chain, it's quite high. Have you calculated water consumption for MMCF compared to cotton? It is going to play an important role, because water is going to become scarce, and I'm sure water consumption will be regulated next, and we must be prepared.

Gaurav: We have worked on this. We have significantly reduced water consumption in our operations, by more than 50% over the last 10 years. We had a target to reduce our water consumption by 50% from 2015 to 2025 and we have already achieved it. We usually do not compare the fibers in that way, because the manufacturing is a very different thing. Of course, cotton water consumption is higher, per the data available in public domain.



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But it also varies regionally. In India it could be very high, but in Brazil it could be very low, because of the farming practices and education.

It was decided to circulate the second presentation via email and collect questions from the committee members.

Parkhi reminded about the next steps and preparing final statements for the ICAC Plenary Meeting in September 2024 in Tashkent, Uzbekistan.

The Chair thanked everyone and closed the meeting.