

August 2022

Buckle Up, Resilience Required

By Eimear McDonagh, Australian Cotton Shippers Association

Resilience is generally known as the ability to bounce back after experiencing difficulties, it has been defined as the personal qualities that enable one to thrive in the face of adversity (Connor & Davidson, 2003). It will obviously mean different things to different people depending on their life experiences, but ultimately it means that we come out OK or even stronger after facing challenges, and that we can face surmount new obstacles with better coping mechanisms and a greater ability to thrive. We tend to question our resilience when we are experiencing vulnerability, but by understanding that, we can improve our adaptive capacity.

It has been my experience that, by and large, the Australian Cotton industry believes ourselves to be resilient; we have coped with an astonishing array of changing weather patterns, volatile market conditions, international trade frustrations and have now produced a record crop despite the Covid-19 constraints imposed on the entire agri sector. There are many who are yet to catch a breath to consider the challenges of an even bigger 2023 crop because they are still immersed in the current tasks at hand.

In my opinion we need a multifaceted approach to see us through the next few years of large crops, heightened market volatility and an unprecedented focus on the need for transparency in how we produce and manage our crops – there is no doubt we will be faced with fresh challenges.

Firstly, the strategic management of the human resources necessary to prepare, plant, harvest, gin, class, transport, market and execute contracts is a vital and immense undertaking. Human resource management has already been identified by all stakeholders in our industry from Government, industry bodies, growers, merchants and related service providers, as essential to our ability to perform these key tasks. There is no silver bullet on offer to attract more people to our industry at these various levels, not least of all to the rural communities who have benefited from a transient labour force in previous years which has now been all but decimated through the pandemic.

In addition to attracting more people, we urgently need to care for those already in our employ and ensure that their mental and physical wellbeing is robust, because losing skills in this relatively specialised industry is an unfortunate effect of workplace stress these days. People need to feel valued and respected in order to achieve their most productive states and in an era where productivity is key, we often overlook the individual in favour of the bottom line.

The Cotton Research & Development Corporation (CRDC), in their Sustainability Framework, cite Planet, People, Paddock as the three key areas for achieving sustainability. Quality of work, wellbeing and social capital are some of the of priority areas identified under their sustainability targets and I believe these areas to be arguably increasing in priority in the current environment. Although the CRDC Sustainability Framework is focused on on-farm cotton production, it is certainly applicable beyond the farmgate and through the supply chain.

Secondly, we need to consider how we approach the new challenges that face us as an industry, not just here in Australia, but globally. These include challenges that we may never have considered before, or roadblocks that were previously considered insurmountable or someone else's problem, however, we absolutely can and must pay attention and work to influence positive outcomes to these new challenges.

The interest in Environment and Sustainable Governance (ESG) has grown exponentially as companies look to provide the 'green tick' to their businesses. There has been increasing scrutiny on the veracity of claims made by many major companies and this raises the question of trust in their processes and the matrix used to measure their ESG compliance. In many cases it is false and unsubstantiated. The practice of 'greenwashing' is common - this is where major retailers or companies take advantage of consumers' desire to buy sustainably produced items by labeling their garments or products as safe for the environment when they have not backed up their claims with any scientific or verifiable data. This is not specific to garment retailers, energy companies, pharmaceutical companies, electronics manufacturers and others are all tempted to make claims in order to satisfy consumer needs. The US based industry body, the Association of Certified Fraud Examiners have teamed up with Grant Thornton to create a guide for organisations to manage ESG fraud risks. They note that companies such as Microsoft are concerned that they do not have the correct information to back up their claims and are potentially exposed to lawsuits if their information is proved false.

Last month in the UK, Reuters reported that Britain's competition regulator will investigate whether fashion brands ASOS, Boohoo and George as Asda are misleading consumers with their environmental claims. It is quite startling to think of the indirect impacts that we may face following actions by various governments regarding their treatment of sustainability and traceability claims in the fibre sector.

Companies are attempting to attract consumers and major investment funds that focus on environmentally friendly products, and those companies that are found to be fraudulent will face increasingly harsh penalties. Currently governments around the world are rapidly strengthening their legislative capabilities to manage this problem and depending on the framework and data used in establishing this new legislation, products, services, companies and producers may be adversely affected as a result.

The Know Your Customer (KYC) process which we originally found cumbersome, is in practically juvenile when it comes to the arduous work and the depth of knowledge required to comply with these expected new regulations. This is where supply chain traceability and its robustness starts to gain critical importance.

It would not be news to readers to know that we face constant and relentless competition from manmade fibres (MMF) and that regardless of the unconscionable push of certain global retailers and petroleum producers to promote MMF as a sustainable product, there are governments preparing legislation with this belief in mind.

We need to take notice of the experiences of the wool industry as an example of the insanity that can prevail in this space. In the September 2021 edition of Sheep Sustainability Framework, Australian Wool Innovation (AWI) CEO Stuart McCullough commented, that although they support the current EU policymakers Product Environmental Footprinting project (PEF), - developed to rate all fibres environmental credentials - he is concerned that in its current format it will score wool and other natural fibres poorly and risk destroying a market for products containing Australian wool. The EU currently consumes about 25% of the Australian wool clip and if this PEF format is adopted by other countries outside the EU there is a major risk of demand destruction. The article in its entirety can be seen here <https://www.sheepsustainabilityframework.com.au/resources/news/wools-eco-rating-challenge-in-the-eu/>.

It takes time to develop legislation and once it is in place it can take years to reform.

Why should we be alarmed? To say that MMF is more sustainable than natural fibre is counter-intuitive, is an understatement, but if you think about it, the wool industry faces many of the same challenges as we do in producing fibre, so we need to pay attention to their experiences. We are not a manufacturing country, most of what we produce on the land is exported and is subject to the import requirements of various countries through a supply chain to an ultimate consumer. This supply chain is under increasingly higher scrutiny as we adhere to the global push for transparency on sustainability, traceability and human rights practices. The speed of this change is unprecedented, and we need to be more fully informed to be able to deal with the impact of these requirements on our industry.

Through ACSA's participation in various international organisations, the International Cotton Association (ICA) and the International Cotton Advisory Council (ICAC) who have recently reformed their Private Sector Advisory Council (PSAC) - formed to give advice to governments of countries where cotton is produced - we are participating in consultation with global industry representatives to provide advice to governments on correcting the misconception about cotton and its environmental credentials. The current EU process to develop this new legislation involves a 'cookie-cutter' approach to measuring sustainability and is not a true representation of natural fibres compared with MMF production. This is an enormous task and one that will eventually require all stakeholders in the Australian cotton industry to understand the challenges associated with the rapid change in the global push to manage the environment and our impacts on it. We will share more on this as we progress in this forum.

Our need for resilience is strong. Some of the skills necessary for resilience, are positivity, stress tolerance, motivation and managing expectations. I believe we need to check ourselves on these skills and I have no doubt that we are up to the challenge, however, it will involve a cohesive approach from all of industry and a determination to prove our environmental credentials, firstly to ourselves and then on the global stage.

We need to enhance our overall resilience and see this as an opportunity to future proof our industry for the next generation of creative and innovative people who will no doubt continue to develop a robust cotton industry and surmount the challenges that will inevitably arise.

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