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Cotton helps Base Resources to build in Africa



Since its inception in 2014 over 1000 farmers have been involved in the Kwale cotton project. Supplied

by Peter Ker

When you run a mining operation in Africa, it can be hard to avoid the stigma from scandals affecting big companies like Rio Tinto, Shell and Glencore in nations like [Guinea](#), [Mozambique](#), [Nigeria](#) and the [Democratic Republic of Congo](#).

"My kids particularly notice it among their peers and their peers' parents," said Tim Carstens, the managing director of ASX-listed Base Resources, which produces mineral sands in Kenya.

"Unfortunately the relatively isolated incidents of things not going the way they should taint the rest of us, that is part of the reason we are trying to set a new standard in successful mineral development in Africa."

Extractive industries have the potential to generate enormous wealth for host communities, but even the longest-running mines are temporary enterprises.

When Base was building its mine in Kenya's Kwale County in 2013, the project had an expected life of 13 years, and so Carstens' team knew they had to do something different if they were going to impact local communities in a way that was both positive and permanent.

To deliver on that goal, Carstens bought in Melbourne-based firm Business For Development (B4D), which had previously designed and coordinated social programs in

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developing nations for big businesses like Oil Search.

History of cotton farming

"Mines end up being in isolated areas, and commonly what surrounds them are people who are struggling for an existence and they are invariably agrarian based," said John Cook, the former managing director of Kellogg's Australia and Berri Limited, who now works as B4D's African operations director.

Tasked with designing a viable program for some of the 93,000 small landowners that live near Base's mine in Kwale County, Cook discovered conditions that were well suited to cotton farming, and that a large cotton industry had operated in the region in the 1970s before falling into decline and being largely abandoned.

"It was not uncommon for farmers to have 12 or 13 crops in the ground at one time, none of them done particularly well, none of them done with sufficient scale nor the sophistication needed to guarantee a good outcome," said Cook, of what he found when first surveying Kwale's potential.

"We knew there was a history (of cotton farming), we could see the land was good, we couldn't see why this couldn't be resuscitated. But we realised there was no point us talking about this in the absence of having a customer."

Enter [Cotton On Group](#); the privately-held Geelong-based clothing retailer that has more than 1500 stores across 19 nations.

Just like mining companies, clothing retailers have had their share of scandals in the developing world, [particularly in Uzbekistan](#) where children have been forced to work on cotton harvests and Bangladesh, where [some Australian retailers were linked to harsh labour arrangements](#).

[The industry has since been working to improve its oversight of supply chains](#), and it was amid that climate that Cotton On leapt at the chance to work with B4D and Base at Kwale.

The three organisations provided funding, technical advice, and the materials needed for those interested landowners to establish cotton crops on their own land.

But mindful of Kenya's previous cotton boom and bust, a different corporate structure was required.

"One of the major concerns here is that when farmers' produce was maturing all at the same time, wholesalers got used to being able to negotiate very aggressively with small landholders as they struggled to get their produce to market," said Cook.

Collective set up

"One of the critical insights was to create the capacity for single selling."

The three organisations set up a co-operative (the Kwale Pamba and Viazi Co-operative) owned 100 per cent by local farmers who paid the equivalent of \$7.50 to apply and \$15 for a share.

Representatives from B4D, Base and Cotton On sit on an advisory board to the co-op, but the companies do not have any ownership stake.

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The co-op's first harvest delivered about 30 tonnes of cotton, and the second is now underway with an expected haul of more than 700 tonnes.

The first garments containing cotton from Kwale will hit the shelves in Cotton On's Australian stores around April.

While the typical Cotton On garment is made from a blend of several cotton sources, the retailer plans to make an exception for the Kwale product.

"If we took the option of blending it in, it would make life easier for everyone, but we took the decision we wanted it to be pure, and I think from a marketing, customer-facing point of view, that is really important," said Cotton On's sustainability manager Adam Lloyd.

Just as coffee connoisseurs speak of "single origin" beans, Cotton On will be selling garments that are entirely made of cotton from the Kwale fields.

"If we can better tell the story (with garments made entirely of Kwale cotton) it means we can have a better impact on the ground," said Lloyd.

Research conducted by B4D shows that 67 per cent of landowners in Kwale live on about \$US1.25 (\$1.63) per day.

Cook says co-op members should earn about 50,000 Kenyan Shillings (\$632) for each acre of cotton harvested, and that is before they make further income from chickens and rotational crops like sorghum.

The co-op is hoped to be cashflow positive within 18 months, and capable of standing alone without the support of Base by 2020.

"Ultimately the objective is for it to be a stand alone business that exists beyond our involvement. Because at the moment, absent mine life extensions we have about six years to go, and in order to ensure we don't just leave a memory of how good it used to be, we need to make sure this thing is at scale, it is efficient and effectively run," says Carstens.

"We can't afford to have something partially baked by the time the mine ceases, it has got to be something that is ready to go."

When asked how Base, a small company with limited funds, had determined how much it was willing to spend to make the cotton project a reality back in 2013, Carstens fires up.

Enlightened sense of self-interest

"That psychology is exactly what is wrong with so many mining businesses, because they do not have an enlightened sense of self-interest," he says.

"We don't say we will put in 1 per cent of revenues or any of that nonsense because that is missing the point. This is core business for us because it is so central to the quality of our relationship with our community and what that means for our business interests."

Carstens says prioritising an outcome, then working backwards to determine the cost posed no conflict to Base's fiduciary obligations.

"It was whatever it takes to achieve the very specific outcomes we were seeking in our corporate best interests, we don't do anything that is not in our best interests, but we have an enlightened sense of what that is about," he said.

"If you don't do it the way we do it, you'll find you don't have a community that is fully supportive, you will find you have protests, you will have all manner of little things

that knock your business off course and you then spend an inordinate amount of time fighting against that and trying to hold back that tide."

Carstens says the Kwale co-operative is now a kind of character reference for Base, which will help it win access to mineral resources in new locations, such as Madagascar where [Base acquired a \\$US75 million mineral sands project this week](#).

"The aim of the exercise is to have a community that doesn't just tolerate you but is a reference for you, and that is a real strategic advantage," he said.

"(This is) why we get governments and communities inviting us in."

B4D has conducted similar projects with ASX majors like Newcrest, Coca-Cola Amatil, Goodman Fielder and MMG, as well as major private companies like Visy, Mondelez and Nestle.

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