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SUSTAINABILITY

Investors like sustainability. But they forget about nature

BY RACHEL CERNANSKY

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The businesses producing natural fibres and dyes need investment to scale, but traditional financial capital is overlooking the sector.

The appeal of biomaterials startups Bolt Threads and Spiber has been clear to sustainability-minded investors, who have pumped $256 million and $600 million, respectively, into the companies developing mushroom leather and artificial silk.

But the broader issue of fashion's reliance on polyester and other synthetic materials is often overlooked. These materials are sourced from fossil fuels with few end-of-life options, and despite industry goals to move towards circularity and reduce emissions, fashion's farming industry is lacking the investment to expand regenerative farming practices to fibre crops and increase the use of soil-based fibres in apparel more broadly.

For natural fibres and dyes to become more widely adopted by the industry, farmers and production companies need financial investment they're currently lacking. Kering launched a regenerative fund last month that aims to transition one million hectares of land to regenerative practices, but more industry action, and a shift in mindset, is needed for considerable change to happen.

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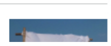

Organic cotton, a centrepiece of sustainable fashion, is in short supply

BY RACHEL CERNANSKY

"There's a lot of talk about sourcing more regenerative materials, but the reality is if farmers don't receive the incentive to make the switch, it's hard to expand regenerative agriculture in the long run," says Kering sustainable sourcing specialist Katrina ole-MoiYoi.

A lack of funding makes it hard for small businesses and farmers to scale their capacity or transition their practices; it also ensures their prices remain higher than the current industry standard — particularly with subsidies keeping petroleum-based synthetics artificially cheap, say critics — which will prevent adoption by an industry driven heavily by cost. Farmers need technical and financial assistance to transition to better practices and infrastructure to handle their crops; if the industry is ever going to move beyond toxic chemicals, it needs alternatives to take their place to provide things like colour, texture and certain functionalities.

"The Venn diagrams are not connecting at all," says Sarah Kelley, lead author of a report released in October by the nonprofit Sustainable Agriculture and Food Systems Funders detailing capital opportunities for US-grown fibre, textiles and leather.

The skeins of hemp fibre are washed in the Nam Khiew river in Laos.

© In Pictures Ltd./Corbis via Getty Images

SAFSF is calling on investors, grant managers and others with access to capital to take advantage of the untapped potential of natural fibres.

Investing in farmers' futures

Kering's regenerative fund grew out of the company's Biodiversity Strategy, published in June. They will provide grants of up to $500,000 to agricultural projects lasting between one and three years, ole-MoiYoi says. Investment doesn't guarantee Kering will source materials from the farmers. The goal, says ole-MoiYoi, is to both protect Kering's own supply chain and help shift the industry as a whole in the right direction.

"If you look out into the marketplace and see how many brands are putting out these commitments, you quickly realise there will be a supply problem," she says. Even as it makes gains in fashion, for example, organic cotton represents less than 1 per cent of global cotton production; expanding that supply relies on farmers shifting their practices, but most can't do that without financial assurances or support to help them navigate the challenging transition period. By providing grants, rather than loans or investments, the hope is to accelerate progress and increase the future supply of regenerative materials as quickly as possible.

But industry-wide financial support for regenerative farming and natural fibre systems is lacking, says Kelley. "Brands really want these natural fibre products — the products with a story, products from producers of colour, small producers — but they want them at a big scale before they're willing to write a contract," she says. Her research team calls it the "commitment Catch-22".

Natural dye producer Botanical Colors, which works with brands including

Eileen Fisher, has had to turn away new partnerships in recent years despite growing interest. "Our limited production capacity prevents us from taking on more business," says president Kathy Hattori. "There is zero investment in textile dye technology and infrastructure except what already exists from the heyday of textile production."

Her company was featured in the SAFSF report as one of several examples of companies with specific growth plans they would be pursuing if they had greater access to capital. With just $350,000, for example, Botanical Colors could open a natural dyehouse in the US Pacific Northwest with higher capacity equipment, a larger space to run more efficiently and attract larger customers, and machines that can handle higher volumes.

Natural dyes company Botanical Colors has had to turn business away, despite growing interest, because of limited production capacity.

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Finding the right type of investment will be key to securing capital and establishing a successful relationship, says Caroline Brown, managing director at Closed Loop Partners, an investment firm focused on the circular economy, and former CEO of Donna Karan. Venture capital, which needs high and fast returns, is probably not a good match for farmers looking to scale their regenerative practices. "Venture investing can come with certain expectations related to speed, scale and timing of growth — which tech solutions have been well aligned to historically," she says. "This has provided investors a deeper comfort level with tech and easier access to knowledge than solutions embedded at the very early stage farm level."

That underscores what Kelley says is a more fundamental question about the field of investment generally, its focus on market-based returns and how realistic they are to begin with. "Our whole mindset around what qualifies as successful is based in this very extractive system," she says. Kelley hopes that there can be more matchmaking between small and medium-sized businesses and the different types of funding that are available, like grants, low-interest loans, guarantees, programme-related investments and traditional investments.

Kering launched its Regenerative Fund for Nature, with Conservation International, in January.

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"Nature based systems are anything but controllable," says Virginia Clarke, SAFSF executive director. "I think people have had a harder time investing in nature-based solutions. They take longer, you don't see results right away."

Investing in overlooked communities

There is also significant room to fill funding gaps for communities that financial institutions have traditionally underserved. Black and Hispanic business owners in the US, for example, more often rely on personal credit cards to start their businesses, which saddles them with higher interest rates than traditional bank loans, according to a report by the US Small Business Administration's Office of Advocacy based on data from the US Census Bureau.

In the context of natural fibre innovations for fashion, the funding gap is prevalent at the farm level, where racial inequity has deep, historic roots. The Biden administration has begun to address discrimination in US farming as part of efforts to tackle climate change, but efforts are early. The gap can manifest in other places along the supply chain, whether for an entrepreneur who wants to open a fibre mill to supply regional production, for example, or a designer trying to launch a brand with a mission focused on natural materials. For Kelley, the legacy of racial injustice and the ongoing lack of equity in who has access to funds are fundamental components of the larger problem, and recognising that is the first step towards trying to solve both at once, and not one at the expense of the other.

SAFSF is calling on the financial community to be willing to look at the full picture of what they invest in, rather than solely the pace at which they'll recoup their investments, and to adjust expectations away from market-rate returns, says Kelley.

"Being a functional business is the end goal — it shouldn't be kept afloat forever — but the expectation that they will be ready to take on a regular conventional investment at the beginning, I think, can be very harmful," she says.

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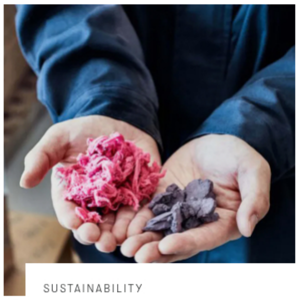

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BY JASMIN MALIK CHUA
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