What's Inside

Presented by:
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About TE

Methodology & the Technical Platform

Production Profile

Market & Standards Review

Sustainability Initiatives

Organic Cotton Round Table

Organic Cotton Accelerator

Chetna Coalition

Q&A

What's Next
Vision, Mission & Goals

We envision a global textile industry that protects and restores the environment and enhances lives.

Textile Exchange inspires and equips people to accelerate sustainable practices in the textile value chain. We focus on minimizing the harmful impacts of the global textile industry and maximizing its positive effects.

Embed sustainability into evolving business and supply chain strategies.

Make it easier for companies to adapt to changing opportunities and requirements in textile sustainability.

Ensure that actions taken toward sustainability result in real and meaningful change.

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Ambassador, Turkey
Allen You
Ambassador, China

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Data Collection Framework

Organic Cotton Production

Organic Cotton Demand

Centralized Data Collection

Excel Template
- Annual F&F Data Collection
- Key Data
  - Production - farmers, land
  - Income
  - Prices - seed, fiber...
- Other

Master Farm Data

Central

Master Market Data

Organic Cotton Market Report

PFM Report

Sector Benchmark Report

Confidential Company Benchmark

March '16

March '16

June 2016

July 2016

September 2016

FEB - APRIL '16

Online Market Survey

What’s Next?

Find a Supplier:
- Improve "Find a Brewer"
- "Finding Post"

Find a Buyer:
- "Join the Post"
- Integrity
- Value Add

AMISH
- India

ATILA
- Turkey

ALEH
- China

SILVIO
- Latin America

SILVERE
- Africa

HELUVETAS
- Central Asia

SEKEM
- Egypt

MAIL
- Israel

OTA
- USA

* Not TE Ambassadors but good collaborators

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Data Collection - Farm

Farm Survey

» Data from 69 producer groups across 19 countries directly or through regional colleagues.

» Outreach to additional producer groups / country production through NGOs and other partners.

» All attempts are made to verify or cross-check against certifiers records, national level authorities and associations, NGOs, and other experts.

» Cotton initiatives data are collected directly from the respective secretariats. (New: CottonConnect) No attempt to verify data is made.

Improvements

» Carried out completeness check across all 86 conventional cotton producing countries: public searches / publications / databases

» Identified key certification bodies and requested data on a global level

» Identified 65 producer groups in India. Direct outreach to 23 (35%) of producer groups.

» Contacted all 26 certification bodies in India. Data from 8 of the 9 certification bodies certifying NPOP.

» Validation and cross checking of producer group and certification body data.

Constraints / Limitations

» Completeness of the report is dependent upon disclosure and accuracy of data gathered (PGs, CBs etc)

» Aligning different methodologies of calculation: yield, ginning efficiency.
Data Collection - Market

Benchmark Survey

- Surveys were completed between April – July 2016.
- Data was collected from 89 brands from 17 countries.
- Responses to surveys are on a voluntary basis. All information entered by brands and retailers is considered accurate and up-to-date.
- Where data gaps or inconsistency are found, all attempts are made to complete or clarify.
- Surveys were managed through Probench, our online benchmarking tool developed by 73bit.

Improvements

- Deeper analysis and cross-checking of waste factors and product-to-fiber conversions across all fibers at different levels of the supply chain.
- Stakeholder consultation for PFM Benchmark survey framework and questions.
- Offer data sharing opportunities between initiatives for sector collaboration and to minimize survey fatigue.

Constraints / Limitations

- Completeness of the report is dependent upon disclosure and accuracy of data gathered.
- Aligning different methodologies of calculation: waste factors, yarn calculations, average product weight.
PFM Benchmark Framework

Corporate Strategy
Q1. Corporate Values
Q2-5. Sustainability Strategy
Q6-7. Integration
Q8. Tools
Q9. Reporting

Supply Chain
Q10-11. Processing Standards & Initiatives
Q12-13. PFM Portfolio
Q14. Chain of Custody
Q15-16. Traceability
Q17-18. Investment

Consumption
Q19. History
Q20. Targets
Q21. Volume

Customer Engagement
Q22-24. Market Presence
Q25-26. Product Differentiation
Q27-28. Corporate Returns
Q29. Education

All following questions will be modularized according to PFM selected.

- Modeled on BITC CR Index
- Modularized for Supply Chain, Consumption and Customer Engagement for 9 preferred fiber and materials
- To be released: Sector Benchmark Report & Customized Feedback Report
**TE Portal: Technical Platform**

System Updates After Stakeholder Consultation:

- Update user interface
- Enhanced functionalities (radio, checkbox, matrix selection) – click to select
- Online fiber converter
- Modularization Preferred Fiber & Materials
- Scoring & weightage
- Overview to monitor progress
- Download pdf for section and overall survey
- Participant sign-off

Next?

- Pre-filling
- More improvements in scoring & weightage
- PFM Benchmark – Lite
- Anything else?
Participants Profile

89 companies participated in this year’s market survey (56% growth).

Sub-Sector Breakdown

- Multi Sector: 17%
- Home Textile & Personal Care: 13%
- Workwear, Uniforms & B2B: 13%
- Outdoor, Sports & Footwear: 21%
- Luxury, Family & Fashion (+Intimates): 40%

Participants Spread by Corporate HQ

- USA: 31%
- Europe: 43%
- UK: 16%
- Japan: 4%
- Canada: 1%
- India: 2%
- Sth Africa: 1%
- Us/NZ: 4%
- Participant Spread by Corporate HQ

New brands in India
Reorganization of sub-sectors catering to Multi-Sector
Increased Workwear, Uniforms & B2B participation
Scene Setting

- TE’s signature product since 2009.
- The only comprehensive reporting on the organic cotton market from farm to retail.
- Aim for a balance of data and story-telling.
- Moving from static reporting of data to a solution finding tool; use of mini-case studies.
- Showing that companies who are leading in sustainability are also driving product design, innovation, and creativity.
- The final report has been shaped by the input, data, stories and photography of all the contributors.
- Not just looking at the organic cotton sector but how it sits within the broader landscape of sustainable lifestyles and health.
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PATAGONIA: 20 YEARS OF ORGANIC COTTON

1991
Wrote mission statement that established Patagonia’s commitment to addressing the environmental crisis.

1992
Commissioned Life Cycle Analysis on cotton, wool, polyester and nylon.

1994
Board decided to end the use of conventional cotton and begin the conversion to 100% organic cotton.

1995
Distributed monthly “Organic Cotton Rag” as education leading up to launch of 100% organic in Spring 1996.

1996
All cotton products were fully converted to 100% organic.

1998
Introduced Patagonia’s 100% organic cotton denim jeans.

1998
Launched “Clean Air, Earth, Water” organic cotton campaign.

2000
Established partnership with bluesign® to evaluate and reduce resource consumption and to assist with chemical management.

2001
Launched environmental campaign against GMOs.

2006
Launched e-fibers campaign: recycled/recyclable polyester, hemp, organic cotton, organic wool, chlorine-free wool.

2009
Co-founded Sustainable Apparel Coalition.

2010
Commissioned Life Cycle Analysis on cotton, wool, polyester and nylon.

2014
FLA accredited Patagonia’s Social Compliance Program.

2015
Co-founded Sustainable Apparel Coalition.

2014
Became a Fair Labour Association (FLA) Participating Company.

2016
Launched limited edition reclaimed cotton garments as part of Truth to Materials Collection.

2017
2014
Introduced Fair Trade Certified™ products for the first time.

2018
2014
Introduced limited edition reclaimed cotton garments as part of Truth to Materials Collection.

2019
2014
Introduced limited edition reclaimed cotton garments as part of Truth to Materials Collection.

2020
2014
Introduced limited edition reclaimed cotton garments as part of Truth to Materials Collection.
The Organic Market

The number of organic producers is increasing

- **2.3m** organic farmers
- **+13%** from 2013

Top 3 Countries (Farmers)
- India: 650,000
- Uganda: 190,552
- Mexico: 169,703

Certified Land

- **43.7m ha** organic farmland
- **172 countries** in organic farming (up from 170 in 2013)
- **+0.5m ha** from 2013

Key Producing Regions (Land)

- Australia: 17.2m ha
- Argentina: 3.1m ha
- USA: 2.2m ha
- Latin America: 17.3m ha
- Oceana: 6.8m ha
- Europe: 11.6m ha
- USA: 15%
- Latin America: 40%
- Europe: 27%
- Oceana: 4%

Market

- The global organic market is growing and consumer demand is increasing.
- **$80b US** global organic food market 2014
- **+11%** market growth in the USA

Top 3 Countries (Market)
- USA: $29.8b US
- Germany: $8.7b US
- France: $5.3b US
- China: $4.1b US

- **+40%** unprecedented growth in Sweden
- **3 yrs** successive growth in the UK 2012-2014
- **$244 US** highest per capita spending is in Switzerland

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1. Farmers move out of cotton but stay in organic agriculture - India saw a decrease in production of 13 percent as a result of farmers, both organic and conventional, moving away from cotton in favor of more lucrative crops.

2. Land under conversion likely to result in growth - The future looks brighter in 2017/18 when a number of in-conversion programs in India come online.

3. China sees growing demand from its domestic market - China saw a 7% growth in production as domestic demand grows, with Chinese brands increasingly promoting organic cotton, and the rise in demand for organic cotton "seedcake".

4. Decline in Turkey as political instability and market situation worsen - The anticipated growth in organic cotton was not realized due to growing political instability on the borders with Syria (which impacted both conventional and organic).

5. Tajikistan plans to focus next on quality - The Bio-Kishovarz project next plans to focus its efforts and expertise on improving the quality of its extra-long staple fiber for the luxury market.

6. Changing seed landscape - There is evidence of a growing trend in some areas away from GMO cotton towards local indigenous varieties.
Production Trends

- **193,840 farmers**
- **350,033 ha certified land**
- **112,488 mt fiber**
- **85,671 ha in-conv 15/16-17/18**

**Breakdown Of Fiber Production By Country**

- **No 1: India** 66.90%
- **No 2: China** 11.69%
- **No 3: Turkey** 6.49%
- **No 4: Kyrgyzstan** 4.93%
- **No 5: USA** 2.16%
- **No 6-19: Others** 7.84%

The top 5 organic cotton growing countries in the world produced 92.16% of the total global organic cotton fiber.

The remaining 7.84% is produced by:
- **Egypt** (1.91%)
- **Tanzania** (1.91%)
- **Burkina Faso** (0.95%)
- **Tajikistan** (0.89%)
- **Uganda** (0.71%)
- **Peru** (0.49%)
- **Mali** (0.47%)
- **Benin** (0.34%)
- **Ethiopia** (0.13%)
- **Brazil** (0.02%)
- **Israel** (0.01%)
- **Senegal** (0.01%)
- **Madagascar** (0.004%)
- **Columbia** (0.001%)

**Growth Chart**

- **GLOBAL: ↓3.8%**
  - **India: ↓13.4%**
  - **China: ↑7.5%**
  - **Turkey: ↓8.2%**
  - **Kyrgyzstan: ↑191.5%**
  - **USA: ↑10.7%**
  - **Egypt: ↑368%**
  - **Benin: ↓11.2%**
  - **Tanzania: ↓42.8%**
  - **Burkina Faso: ↑23.5%**
  - **Tajikistan: ↑459.3%**
  - **Uganda: ↑13.6%**
  - **Peru: ↓3.8%**
  - **Mali: ↑297.5%**
  - **Benin: ↓39.1%**
  - **Israel: ↓53.3%**
  - **Senegal: ↓36.1%**
  - **Madagascar: ↓5.4%**
  - **Columbia: ↑100%**
13% decrease in fiber production.

Number of farmers and land under organic certification has increased.

Reduction of fiber production largely due to farmers moving away from cotton and to a higher proportion of grains, vegetables, and flowers.

In addition, there’s mismatch of fiber lengths produced for the market in selected regions.

India’s response to the “seed situation” is starting to gain momentum.

Investment in organic cotton production will likely result in production growth over the next 3 years.

Challenges: 1 restricted availability of non-GMO seed, 2 integrity and transparency and 3 trading and business models.
7% increase in fiber production.

Growing domestic demand for organically certified cotton seed Online fiber converter.

International brands are starting to work with foundations to promote organic cotton cultivation.

International brands are learning how to retail organic textile products according to the requirements of the Chinese standards, and Chinese brands are also increasingly promoting organic cotton.

In 2013/14 all our production came from Xinjiang. In 2014/15 however Xinjiang production dropped by over 20%.

The recorded growth is largely due to new production in Gansu and to a much less degree in Hebei.
Turkey Production Profile

- 295 farmers
- 3,718 ha land
- 7,304 fiber
- 3,900 ha In-Conv 15-18

- 8% reduction in fiber production.
- Upward growth trend in organic cotton production that began last year and was expected to continue has not been realized due to political instability and price.
- Shift in production from the more politically unsettled Southeast Anatolia to the Aegean region (25% increase in its production of seed cotton against national -8%).
- In recent years, there has been a relatively high turnover of organic cotton producers, which is largely a result of fluctuating prices both globally and domestically.
- Conventional cotton prices dropped from $1.53-$2.21 US/kg to $1.48-$1.59 US/kg, with organic cotton prices closely follow this trend with a 15% organic premium.
**Kyrgyzstan Production Profile**

- 711 farmers
- 5,136 ha land
- 5,543 mt fiber
- 737 ha In-Conv 15-18

- 1,915% increase in fiber production. Significant increase primarily due to improved data collection and disclosure rather than a large expansion in production.

- Gradual upward trend in Bio-Farmer’s organic cotton production in recent years, which looks set to continue with an additional 261 ha of in-conversion cotton due to become certified in 2015/16, and a further 476 ha by 2017/18.

- The Akasya Tarim organic producers are based in two regions: Osh region (70%), and Jalal-Abad (30%). The group has been growing organic cotton for 4-5 years now on around 4,400 ha of land, but this is the first year TE is reporting on their production data.

- A large portion of the fiber production is exported to Turkey.
USA Production Profile

- 38 farmers
- 7,936 ha land
- 2,432 fiber
- 645 ha In-Conv 15-18

1% increase in fiber production.

- Despite Texas experiencing its fourth year of drought, late May and early June rains led to a 12 percent increase in production for TOCMC. Larger increase expected in 2015/16 with 415ha reaching certification.

- Production in other regions recorded a 51% decline bringing the average growth to 1%.

- No production was reported from Arizona in 2014/15, meaning that New Mexico was the only additional state producing organic cotton.
The Preferred Fibers Race-To-The-Top Is On

The gap between companies that are leading on sustainability and those that aren’t is closing.

Origins Matter

Companies are talking more about their preferred fiber and materials portfolios and where their products originate.

Brand “Organic” is Building

Organic represents a strong, clearly understood and well-established mark of sustainability, spreading from the food, health and beauty sectors into fibers and textiles.

The Rise of Transparency

The tragic event of the Rana Plaza factory collapse is one of the triggers for the “fashion revolution” that is now taking place.

Going for Gold with Organic Fair Trade

Until recently, Organic Fair Trade (OFT) was the choice of the smaller, ethically-driven company working with smaller cotton volumes - this is all changing.

Organic Cotton is a Launching Pad

What companies have learned from organic cotton is being applied to preferred fiber and materials.
Market Trends

- Market value from 2014 to 2015 remains stable, after years of steady growth.
- Trend towards an expanding organic and preferred cotton portfolio and a relative shrinking share of conventional.
- All companies in the Top 10 Users of organic are certifying their supply chain to either the Organic Content Standard (OCS) and the Global Organic Content Standard (GOTS).

The PFM Benchmark Sector Report to be released in November will provide a deeper sector analysis of how companies are systematically measuring, managing and integrating a preferred fiber and materials strategy into mainstream business operations.
C&A takes the number one spot on the Top Users By Volume chart for the second year running. H&M and Tchibo remain in the second and third positions, respectively.

Continental Clothing’s Earth Positive brand and Inditex experienced significant growth and sit at number one and two in the growth chart.

Race-To-The-Top sees the greatest number of new entries. Longstanding leaders EILEEN FISHER, prAna, Stella McCartney, Tchibo and Skunkfunk remain in the “Race”.

The number of brands and retailers featured in the 100% Club has grown considerably from 18 to 24. COOP Switzerland tops the new Organic Fair Trade leaderboard. With a number of new entries such as Boll & Branch, Epona, Elis, and mini rodini joining the leaders, and the placement of cotonea, PACT, dibella, ARMEDANGELS, and prAna.

2 GOTS Review Underway - GOTS Version 5.0 - due for release in March 2017

3 Centralized Database - Improving The Traceability of Organic Cotton - TE and GOTS, along with other industry stakeholders are collaborating on the creation of a Centralized Database System (CDS) that collects and manages data on certified sites and products in accordance with their respective standards.

4 China’s Growing Interest In Certified Organic Products Leads To Talks Of Collaboration - As a result of the rising consumer demand for organic textiles in China, there has been growing stakeholder consultation between GOTS and the China National Textile and Apparel Council.

5 Soil Association Reports Growth In The UK - In 2015 Soil Association Certification licensees saw sales grow by 16 percent
Standards owners and non-profits working in cotton are bringing the work they do individually into a number of new stakeholder forums and platforms. These include:


2. The Cotton ARC program’s **Threading Natural Capital into Cotton**, coordinated by the Cambridge Institute for Sustainability Leadership (CISL).

3. **Sustainability Leadership (CISL)**, and PAN UK, Solidaridad, and WWF’s **Cotton Ranking Report**.

**Cotton Initiatives Working Towards A Common Goal**

Over the past 5-10 years, there has been expansion in the preferred cottons landscape with BCI, CmiA and other programs such as Cleaner Cotton, CottonConnect’s REEL, and Bayer’s e3 joining organic cotton and Fair Trade cotton in the preferred cotton space.

Universally, the cotton standards and initiatives would like to see more uptake from the market and stronger commitment to responsible trading terms and conditions from brands and retailers.
# Cotton Sustainability Initiatives

## 2014/15

<table>
<thead>
<tr>
<th>Objective</th>
<th>To transform the market by making Better Cotton a responsible mainstream commodity.</th>
<th>Cleaner Cotton: Cleaning Up Cotton in California</th>
<th>Sustainable African Cotton for a global Textile Industry.</th>
<th>To create a more sustainable American landscape</th>
<th>Ensuring income security and community development</th>
<th>Sustaining the health of soils, ecosystems and people</th>
<th>To create more sustainable, traceable cotton.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Model</strong></td>
<td>Membership fee</td>
<td>Price differential to producers</td>
<td>Volume based license fee</td>
<td>Donor funding</td>
<td>Contract growing</td>
<td>Fixed minimum price and social premium</td>
<td>Prices agreed between grower and buyer or traded in the market often with a price differential</td>
</tr>
<tr>
<td><strong>Verification / Certification (farm level)</strong></td>
<td>Self-assessment</td>
<td>Credibility checks</td>
<td>2nd party monitoring</td>
<td>3rd party program verification</td>
<td>Self-evaluation and 3rd party audits</td>
<td>Verification (annual) Certification by 3rd party</td>
<td>Verification (annual) Certification by 3rd party</td>
</tr>
<tr>
<td><strong>Chain of Custody</strong></td>
<td>Mass-balance from merchant onward</td>
<td>Physical traceability at farm and gin</td>
<td>Bale identification system</td>
<td>Mass balance</td>
<td>Identity preserved to the mill for further content claims use</td>
<td>Identity preserved</td>
<td>Identity preserved</td>
</tr>
<tr>
<td><strong>GMOs excluded</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Land (ha)</strong></td>
<td>2,584,500</td>
<td>324</td>
<td>973,533</td>
<td>101,171</td>
<td>45,031</td>
<td>356,424 (cotton/other crops)</td>
<td>46,644</td>
</tr>
<tr>
<td><strong>Fiber (mt)</strong></td>
<td>1,969,700</td>
<td>600</td>
<td>341,536</td>
<td>113,398</td>
<td>15,021</td>
<td>112,488</td>
<td>53,917</td>
</tr>
</tbody>
</table>

## 2013/14

<table>
<thead>
<tr>
<th>Preferred Cotton</th>
<th>2.2 m mt (8.6%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Cotton</td>
<td>23.9 m mt (91.4%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Preferred Cotton</th>
<th>1.1 m mt (4.4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Cotton</td>
<td>25.1 m mt (95.6%)</td>
</tr>
</tbody>
</table>

## 2012/13

<table>
<thead>
<tr>
<th>Preferred Cotton</th>
<th>1 m mt (3.7%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Cotton</td>
<td>25.9 m mt (96.3%)</td>
</tr>
</tbody>
</table>

## 2011/12

<table>
<thead>
<tr>
<th>Preferred Cotton</th>
<th>0.5 m mt (2.0%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Cotton</td>
<td>27.2 m mt (98.0%)</td>
</tr>
</tbody>
</table>

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7. 2014/15 Preferred Cotton includes REEL Cotton.
8. The Textile Exchange Organic Cotton Round Table (OCRT) serves as the industry expert and platform for stakeholders in organic cotton. TE works collaboratively with others in this space.
Key Note Speakers
Leo Johnson, Sustainability Expert, UK
Joy Saunders, Integrity Expert, UK

Innovation Lab
Do you have a new idea that could revolutionize the textile industry? Then the OCRT’s new Innovation Awards are looking for you!

Taskforce Breakthrough

Business Models
Morning Perspectives: Business as if people mattered
Task Force Breakthroughs: Pricing and Trading models – from concept to creation
Speakers include:
Jeffrey Hogue, Chief Sustainability Officer, C&A, Belgium
Marco Baenninger, Head Trader, Reinhart, Switzerland

Seed & Soil
Morning Perspectives: Can Organic co-exist with GMOs?
Task Force Breakthroughs: Think Global Act Local
Speakers include:
K. R. Kranthi, Director, ICAR-Central Institute for Cotton Research
Michael Sligh, Program Director, RAFI USA

Consumer Engagement
Morning Perspectives: Will consumers pay more?
Task Force Breakthroughs: Forging alliance for strategic communication
Speakers include:
Bob Bejan, GM Communication Strategy, Microsoft, USA
Jill Dumain, Director of Environmental Sustainability, Patagonia

Special Event – The 2016 Seed Summit: Building a Resilient Future for Organic Cotton

Visit: textileexchange.org/organic-cotton-round-table/ocrt-hamburg-2016/
Laure Heilbron
Executive Director, Organic Cotton Accelerator (OCA)
The Organic Cotton Accelerator

Growing the future together

Introduction - July 2016
The OCA boiler plate

The Organic Cotton Accelerator (OCA) is a multi-stakeholder initiative, focused on creating a prosperous organic cotton sector which benefits everyone—from farmer to consumer.

Sustainability is our key goal—safeguarding the social and environmental well-being of organic cotton farming communities while boosting their prosperity. We will promote best practices and transparency throughout the entire supply chain, to enhance the financial viability of organic cotton now and in the future. Our aim is to build a fair, robust organic cotton market with appropriate integrity at every relevant level, whilst growing supply and demand.

OCA was founded in 2014 by C&A, H&M, Kering, EILEEN FISHER, Textile Exchange, Cotton Connect and the C&A Foundation. In 2016 OCA entered a two-year prototyping phase, during which NewForesight will act as the OCA secretariat and further shape and formalize the strategy, structure, and activities. In the prototyping phase we will determine the impact and efficiency of interventions, define best practices, and develop a viable business case for organic cotton, both for producers and the industry.

OCA will build a strong platform to convene the sector around a shared strategy and goals, as well as design, test and roll out different interventions at the supply and demand side. It aims to realize an aligned organic cotton sector. An improved business case for organic cotton production. Balanced and attractive incentives for each value chain player. And an increased integrity of organic claims.

LET’S GROW THE FUTURE TOGETHER
What is the challenge?
The sector is in need of collaborative action

An insecure business case for the value chain
- Supply insecurity and integrity challenges
- Quality and contamination issues
- Lack of supply chain transparency

The farmer business case is under pressure
- Lack of access to quality organic seeds
- Lower yields and profits while lacking secure offtake of organic produce
- Organic differentials often do not end up in the farmers’ hands

Fragmented organization of the sector
- Main actors in the sector are not aligned on a vision for the future
- Initiatives to tackle supply and demand challenges are fragmented
How will OCA solve these challenges?

By prototyping and scaling solutions in four impact areas

- **Balanced and attractive incentives** in the sector through reduced risk and greater collaboration
- **Increased integrity of organic claims** through building an effective traceability system
- **Improved farmer business case** through access to high-quality seeds and direct differential payment
- **Aligned and integrated organic cotton sector** through coordinated efforts for integration and governance change
Why an Organic Cotton Accelerator?

To prototype scalable solutions with frontrunners

A group of frontrunners have joined forces in the Organic Cotton Accelerator (OCA) to tackle the serious challenges the sector is facing. OCA will develop prototype solutions in the coming 18 months, to be scaled and implemented sector-wide from 2018 onwards.

Our vision:

A prosperous organic cotton sector which benefits everyone in the value chain – from farmer to consumer
What’s in it for you?

Integrity and security through collaboration

**Integrity and traceability of organic cotton**
- One traceability system tracing TC/SCs of different standards
- Improved integrity at the source through farmer access to high-quality organic seed (minimizing GMO contamination)
- Reduction of certification costs

**Security of supply and positive impact**
- Sustainable, secure supply due to improved business case for the farmer
- Improved farmer livelihoods through differential and higher productivity of quality seeds
- Continued ecological benefits of organic agriculture

**Being part of the solution**
- Be part of the group of frontrunners driving sector improvement through collaboration and shared learning
- Close involvement in OCA’s governance (depending on type of partnership)
Is your organization a frontrunner in organic cotton? Then join the movement!

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Working Together To Strengthen The Supply Chain

The Chetna Coalition (ChetCo) was founded during Textile Exchange’s 2013 Organic Cotton Round Table in Istanbul, Turkey at a rooftop meeting coordinated by Chetna Organic, Loomstate and Pi Foundation involving five textile and clothing brands and three production facilities. Our goal? To collaborate pre-competitively to grow a sustainable market for 80 percent of Chetna’s annual organic and organic fair trade (OFT) cotton production.

Who We Are

Today, we have grown into a multi-stakeholder sourcing alliance involving fifteen small and medium-sized clothing and textile brand members, representing seven countries across North America, Asia, and the EU; five facility members (including four garment manufacturers—one fully vertical, one partially vertical—and one spinning facility); two affiliate spinning facilities and two affiliate cotton gins.

What We Do

Align and grow the value-chain web, form commitments for long-term sourcing, and work together on shared-value investment for the quality, traceability, transparency, and sustainability of our cotton fiber and farming communities. We hope to create and replicate a best practice model for organic and OFT cotton fiber sourcing.

Does It Work?

Yes. ChetCo membership has doubled and fiber uptake has increased by 320 percent. Chetna’s organic and OFT cotton sales rate has grown from 17 percent of total production for 2013/14’s pre-ChetCo harvest season to more than 40 percent of total production for the 2015/16 harvest season—with almost 100 percent uptake against commitments made.

Valuing Impact

In partnership with TruCost and GIST, with staff time and guidance from Chetna and funding support from C&A Foundation, Pi Foundation gathered, analyzed, and evaluated in-depth social, environmental, and financial baseline data from two member villages within Chetna. A three-dimensional profit and loss report (3D P&L) translating KPIs into dollars helps ChetCo members to better understand and value the potential impact of collective actions.

What’s Next For 2016/17?

Brands and associated facilities have already committed to 100 percent uptake of OFT cotton produced by Chetna during the current season (2016/17) and are working towards ensuring timely pre-finance to Chetna for full procurement from the member farmers. Procurement capital in the form of pre-finance, collateral guarantees, and working capital loans are expected to be in place by the end of August in advance of the harvesting season starting in October.

Highlights: Member brands are investing in innovative community development funds and programs. Growing demand has influenced Chetna’s investment in farm data management and a transparency platform called SourceTrace.

Special thanks to Chetna staff, Coalition members, Loomstate’s generous coordination and support from TE, Solidaridad, Pi Foundation, Fairtrade, and C&A Foundation.

[ ➔ Organic Cotton Round Table ]
**Problems of Current Organic Cotton Purchasing**

**INEFFICIENT BRAND SOURCING:**
- Low % of brands making on time purchases and accurate annual projections
- No long term commitments
- No brand coordination
- Lack of transparency to farm level
- Lack of customer awareness of value of farming community

**FARMING COMMUNITY:**
- Cash flow shortages during purchasing season lead to off market sales

**VILLAGE:**
- Short purchasing window (Oct.-Dec.)
- No long term purchasing commitments
- Little long term brand engagement

**LEAKAGE TO CONVENTIONAL MARKET CAUSED BY:**
- Cotton availability misaligned with brand purchases
- Lack of long term demand projections
- Information asymmetry

**KEY:**
- \( B \) = pre-existing brand purchaser (size of \( B \) denotes size of brand)
- \( C \) = cooperative
- \( V \) = village

Leakage to conventional market ~ 40%
Chetna Coalition Pilot Achievements

- Green lines: Long term purchasing commitment, direct to village
  - Sustained long term purchasing volumes
  - 10-30% of the total purchasing volumes

- Blue lines: Brand collaboration
  - Coordination, shared learning, and value development

- Red lines: New Brand
  - New brands purchasing from Chetna and attracted to Coalition for
    - Increased regional transparency, direct farmer relationships,
    - Continual and measurable community sustainability performance

- Red dashed lines: New Brand short term purchases
  - Sourcing additions acquired through new brands

- Purple squares: Lebed, Odisha
- Purple circles: Dhanora, Telangana

- ORGANIC COTTON MARKET

- ~15% LEAKAGE REDUCTION

Coalition Anchor Villages
- 3D PNL
- Coalition guaranteed long term purchasing commitment
- Fiber traceability from farm to yarn
Table 4

BEFORE

AFTER PILOT

YEAR 2-3

B = pre-existing brand purchaser
(size of B denotes size of brand)
B = new brand
C = cooperative

KEY

V = village
B = organic cotton market
~15% leakage reduction
~50% leakage reduction

--- = short term purchases
--- = new brand short term purchases
--- = long term purchasing commitment, direct to village
--- = brand collaboration

LEAKAGE TO CONVENTIONAL MARKET
~40%

ORGANIC COTTON MARKET
Organic Cotton Sales
% of Total [MT]

Before ChetCo
2013-2014
17.3% [301 MT]

ChetCo 1st Year
2014-2015
20.6% [310 MT]

ChetCo 2nd Year
2015-2016
49.2% [962 MT]
Thank You!

We envision a global textile industry that protects and restores the environment and enhances lives.

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