What’s Inside

Presented by:
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- Market & Production Profile
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Cover page photo: Cream Workwear
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.
Data Collection Methodology & Process Flow

Market Survey
- Surveys were completed between February – April 2015.
- Data was collected from 57 brands from 14 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.

Farm Survey
- OC production data was collected from 50 producer groups and sector bodies across 19 countries by our regional colleagues or with support from 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.
- Data from other initiatives is collected directly from the respective secretariats. No attempt to verify data is made.

Challenges & Limitations
- Completeness of the report is dependent upon disclosure and accuracy of data gathered.
- Aligning different methodologies of calculating fiber yields, usage and wastages, etc.
Organic Cotton & Preferred Fiber Survey Framework

Section 1 Strategy
Q1. Sustainability Vision/Mission
Q2. Sustainability Strategy
Q3. Policies
Q4. Overall Target
Q5. Specific Targets
Q6. Use of Rating Systems
Q7. Responsibility
Q8. Reporting

Section 2 Supply Chain
Q9. Supply Chain Mapping
Q10-12. Voluntary Standards
Q13. Value Chain Tracking
Q14. Value Chain Engagement

Section 3 Fiber Usage
Q15/18. Investment History
Q16/19. Breakdown of Overall Usage
Q17/20. Reported Usage

Section 4 Sales & Marketing
Q21. Product Range
Q22. Product Labeling
Q23. Key Markets
Q24. Retail Sales
Q25. Sustainability Attributes
Q26. Product Differentiation & Fiscal Benefits
Q27. Consumer Education & Evaluation
TE Portal: Technical Platform

System Updates:

- Improved look and feel of survey portal: personalized entry via “My Portal”
- Platform for brands, mills and producers – allowing survey selection
- Changed registration process to improve user experience and security
- Updated noticeboard for multiple users
- Developed survey guidelines
- Introduced company benchmarking pilot

Questions:

1. How can we make the experience even better?
2. What would you like to see added/removed/changed in the market survey and your customized benchmark?
Participant Profile
57 companies participated in this year’s market survey (152% growth).

TE Membership Status
- 35% Non-Members
- 65% Members

Participants by Retail Category
- 81% Apparel
- 5% Footwear
- 14% Home Textile

Participants by Corporate HQ
- Canada 4%
- UK 14%
- USA 32%
- Europe 44%
- Sth Africa 2%
- Japan 2%
- Aus/NZ 4%

Participants by Turnover
- <US$50m: 23%
- US$50-500m: 12%
- US$500-5b: 7%
- US$5b-50b: 7%
- >US$50b: 4%

Participants by Usage
- <0.5mt: 47%
- 0.5-1mt: 19%
- >1mt: 35%

Cotton Usage Breakdown
- Organic Preferred: 13%
- Conventional: 82%

TextileExchange
The top 5 organic cotton growing countries in the world produced 96.78% of the total global organic cotton fiber.

**Breakdown of Fiber Production by Country**

- No1: India (74.25%)
- No 2: China (10.46%)
- No 3: Turkey (6.80%)
- No 4: Tanzania (3.21%)
- No 5: USA (2.07%)
- No 6-19: Others (3.22%)

**Global Fiber Production Trend (mt)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/05</td>
<td>50,000</td>
</tr>
<tr>
<td>05/06</td>
<td>100,000</td>
</tr>
<tr>
<td>06/07</td>
<td>150,000</td>
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<tr>
<td>07/08</td>
<td>200,000</td>
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<tr>
<td>08/09</td>
<td>250,000</td>
</tr>
<tr>
<td>09/10</td>
<td>300,000</td>
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<tr>
<td>10/11</td>
<td>350,000</td>
</tr>
<tr>
<td>11/12</td>
<td>400,000</td>
</tr>
<tr>
<td>12/13</td>
<td>450,000</td>
</tr>
<tr>
<td>13/14</td>
<td>500,000</td>
</tr>
</tbody>
</table>

**Growth Chart 2012/13-13/14**

- No1: Tajikistan (1258%)
- No 2: Benin (86%)
- No 3: Peru (756%)
- No 4: Brazil (55%)
- No 5: Uganda (54%)
- No 6: Burkina Faso (53%)
- No 7: USA (125%)
- No 8: China (119%)
- No 9: Turkey (112%)
- No 10: Tanzania (111%)
- No 11: India (117%)
- No 12: Egypt (117%)
- No 13: Kyrgyzstan (116%)
- No 14: Israel (0%)
- No 15: Madagascar (0% (New))
Market Review

1. 58% are making their strategy public which encourages other brands.
2. 56% have explicit growth targets for their use of organic cotton.
3. 35% are reporting publically on their performance against targets and KPIs.
4. 42% display voluntary standards (OCS, GOTS) labels on the final product.
5. 81% are promoting product sustainability attributes to consumers.
6. 53% report positive links between sustainability and business benefits.
7. 40% are conscious of the need to work with supply chains right back to farm.
8. The organic cotton market value increased by 67% this year bringing the estimated value to USD15.7bn.

Market Value of Organic Cotton
The estimated value of the total volume of organic cotton consumed based on the value addition from seed cotton through to the final retail product.
C&A and H&M continue to lead the industry in the Top 10 Users By Volume with Tchibo demonstrating rapid growth and a strong commitment to organic.

The total amount of organic cotton used by the top 10 brands has grown by 25% since 2013 and shows an average growth in consumption of over 108%.

The 100% Club comprises of 16 brand entries (28%) which use only certified organic cotton.

Race To The Top celebrates those companies who are converting their ranges to organic cotton (does not include those who use 100% organic cotton).
Survey responses allowed us to create generalized company profiles. We generated three broad themes:

- **Organic Centric**: Organic is central to brand identity
- **Sustainability Centric**: Sustainability is central to brand identity
- **Future Proofing**: Sustainability is a growing concern for brand identity

In the report we provide 23 “mini case studies” and 25 inspiring quotes from retailers, brands, manufacturers, producer organizations and other key stakeholders.
Brands using voluntary standards to verify source of organic cotton

- OCS: 38% (2013) to 3,085 (2014)
- GOTS: 64%
- OCS & GOTS: 34%
- Organic & FT: 16%

Brands that carry out supply chain mapping for organic cotton

- Sewing Factory: 86%
- Fabric Mill: 86%
- Yarn Mill: 70%
- Fiber Source: 54%

GOTS Certified factories in 64 countries & OCS in 45 countries

73% Use voluntary standards in supply chain

40% Brands working with value chain to secure supply

TextileExchange
Global production rises 10% after 3 years of decline.

India maintains lead position and achieves 7% growth.

Peru grows 56% in response to market demand.

Fiber production estimated to reach 20,000 mt in Turkey over next 3 years.

1,000 large scale organic farms planned for Senegal.

China positioned to grow with the right market links.

Seed shortages continue but steps are being taken.

New Fairtrade partnership model offers flexibility.

CmiA-organic harvests its first crop in Tanzania.

Funders investing in new organic cotton initiatives.
Assessing The Impacts

LCA & OC-SAT data quantifies impacts:

In 2014, by growing 116,974mt of organic cotton, farmers potentially helped save:

- 236.9 billion liters of water = 94,655 Olympic sized pools
- 300.6 million kilowatts of energy = 60w bulb going for 548 years
- 96.3 million kg of CO₂ = driving an average car around the world 14,114 times

PGs and value chain partners contributed to the wellbeing and livelihoods of:

- 147,971 farmers
- 740,000 family members

And kept GMOs, pesticides and synthetic chemicals out of:

- 220,765 ha organic certified land = 413,000 NFL football fields
Securing Supply – It’s Everybody’s Business

Barriers To Growth For Smallholder Farmers:

1. Insufficient incentive to go organic
2. Attraction of easier-entry standards
3. Difficulty to access quality non-GMO seed and potential for product contamination
3. Market disconnect

Challenges For Manufacturers, Brands And Retailers:

1. Business case
2. Uncertainty of integrity
3. Systems complexity
3. Weak market

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We Have More To Do

The Role Of The OCRT
Tackle the big questions.
Exchange knowledge and experiences.
Initiate and incubate great ideas.

OCRT Task Forces
1. Business Models
2. Seeds & Soils
3. Consumer Engagement

Response to Call to Action
- Chetna Coalition
- Organic Cotton Accelerator
- India’s Organic & Fairtrade Cotton Secretariat – Organic Made In India
- Global Seed Inventory
- Organic Cotton Consumer Microsite
Organic 3.0
Moving To Organic 3.0

Early development of organic principles and practices initiated by early leaders.

Our current phase, with small but growing market presence, taken seriously and heavily regulated.

Based on an approach of common interest, mutual support, and organized responsibility across the value chain from producer to consumer. Organic 3.0 manifests the Principles of Fairness and Care; it enables the organic movement to expand by being inclusive of more producers, and by building bridges to like-minded organizations and individuals.
Cotton Initiatives: Working Towards The Same Goal

<table>
<thead>
<tr>
<th>Objective</th>
<th>To create a more sustainable American landscape</th>
<th>Making the mainstream better</th>
<th>Cleaning Up Cotton In California</th>
<th>Improving Africa through a Demand Alliance</th>
<th>Ensuring income security and community development</th>
<th>Sustaining the health of soils, ecosystems and people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verification / Certification</td>
<td>Self-evaluation and 3rd party audits</td>
<td>Self-evaluation Partial 2nd and 3rd party sample</td>
<td>2nd party monitoring</td>
<td>3rd party program verification</td>
<td>Verification (annual) Certification by 3rd party</td>
<td>Verification (annual) Certification by 3rd party</td>
</tr>
<tr>
<td>Chain of Custody</td>
<td>Field to product</td>
<td>Field to gin</td>
<td>Field to gin</td>
<td>Field to gin</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>GMO Seeds</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Fiber (mt)</td>
<td>111,731</td>
<td>750,000</td>
<td>599</td>
<td>152,034</td>
<td>15,691</td>
<td>116,974</td>
</tr>
<tr>
<td>Growth</td>
<td>↑3%</td>
<td>↑20%</td>
<td>↑132%</td>
<td>↑7%</td>
<td>↓8%</td>
<td>↑10%</td>
</tr>
</tbody>
</table>

Share of Overall Cotton Sector

- **4.4%** share 2013/14, ↑18%
- **3.7%** share 2012/13, ↑1.7%
- **2%** share 2011/12
Coming Up: Benchmarking

Q: Does your company have specific targets for organic cotton and/or preferred fibers?

Yes In Development

<table>
<thead>
<tr>
<th>X%</th>
<th>✓</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y%</td>
<td></td>
</tr>
</tbody>
</table>

This year we are piloting a new benchmarking tool. It will show you what you are doing compared to your peers, and give you a baseline for ongoing comparison. Next year we aim to incorporate a scoring system to inform you further on how you are doing within your sector.

Why Benchmark?

- **Identify** gaps for improvement and reinforce good practice.
- **Track** progress over time and drive continuous improvement.
- **Benchmark** against peers and leading practice.
- **Engage** board members and raise awareness internally.

Our Benchmarking tool is modeled on the BITC CR Index. We have structured our market survey into a new framework which allows us to benchmark companies systematically on fiber usage and supply chain management.
Timeline and Next Steps

- **Jun’15**: OCMR Release
- **Jul’15**: Benchmarking Analysis & PFMR Release
- **Aug’15**: Benchmarking Results
- **Sep’15**: Consultation Phase
- **Oct’15**: Analyze Findings
- **Nov-Dec’15**: Make Improvements
- **Jan’16**: Prepare Survey
- **Feb’16**: Market Survey Reopens
We envision a global textile industry that protects and restores the environment and enhances lives.

www.textileexchange.org