ORGANIC COTTON MARKET REPORT 2016

Companion Slide Deck

What's Inside

Presented by:
Liesl Truscott, European & Materials Strategy Director
Evonne Tan, Design & Analytics Specialist
Laure Heibron, Executive Director, Organic Cotton Accelerator (OCA)
Rhett Godfrey, Co-Founder, Chetna Coalition (ChetCo), USA

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- Market & Standards Review
- Sustainability Initiatives
- Organic Cotton Round Table
- Organic Cotton Accelerator
- Chetna Coalition
- Q&A
- What's Next

Cover page photo: Dedicated

Vision, Mission & Goals

VISION

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

MISSION

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.

GOALS

Embed sustainability into evolving business and supply chain strategies.

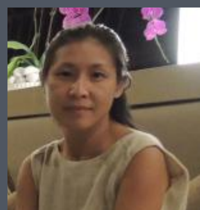
Make it easier for companies to adapt to changing opportunities and requirements in textile sustainability.

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

Fiber & Materials Team

Platform Staff

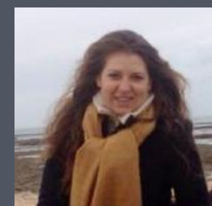
Liesl Truscott
European & Materials Strategy Director



Evonne Tan
Creative and Analytics Specialist

Lisa Emberson
Materials Platform Coordinator

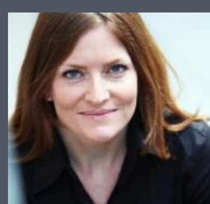
Amish Gosai
India Program Manager



Nicole Lambert
Research/Writer

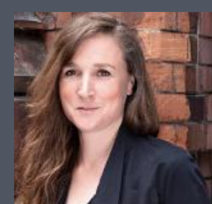
Expert Support Staff

Karla Magruder
Textile Consultant



Simone Seisl
Advisor

Sophie Mather
Biov8ion



Friederike von Wedel-Parlow
C2C

Regional Ambassadors

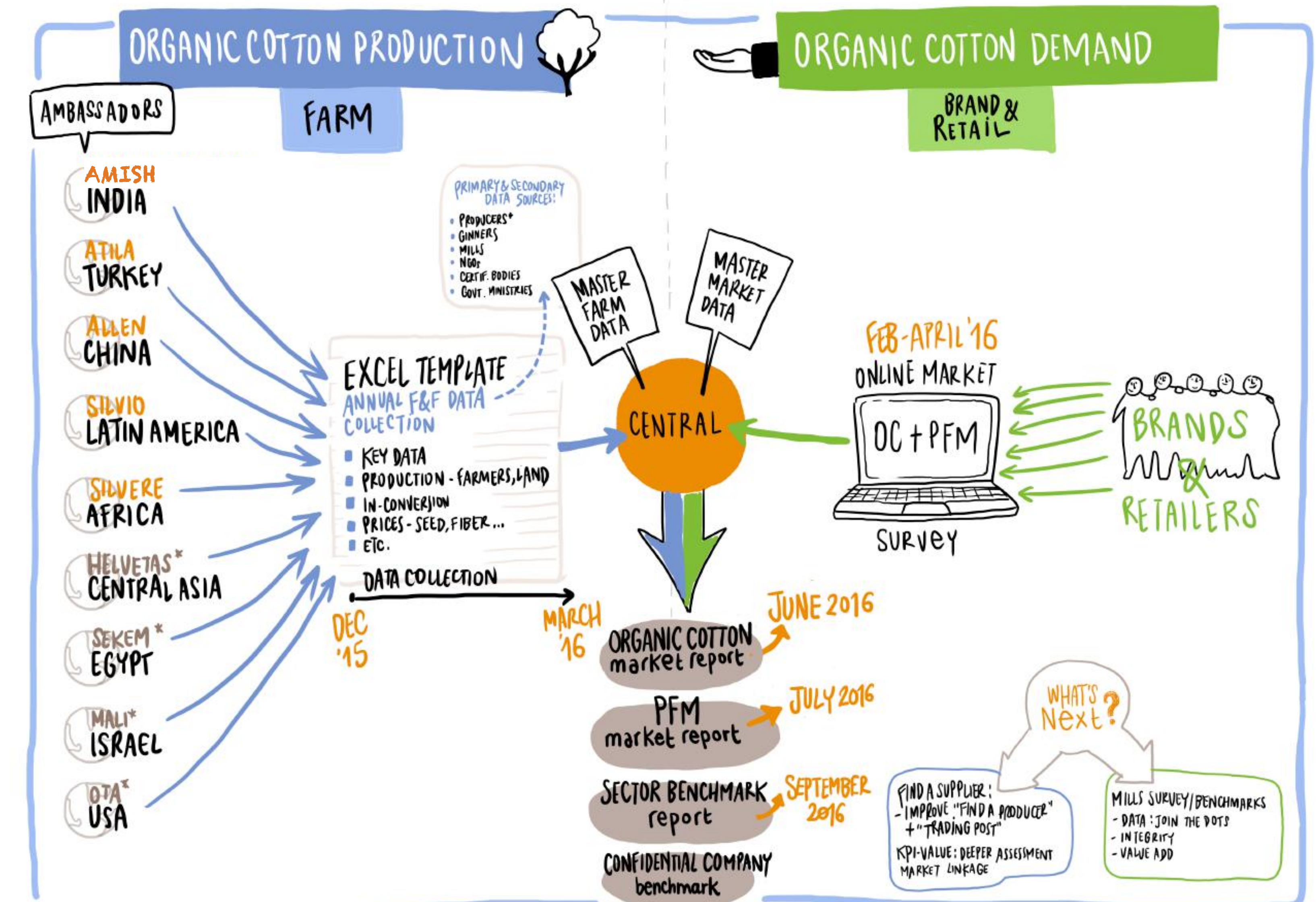
Silvère Tovignan
Ambassador, Africa

Silvio Moraes
Ambassador, Latin America

Atila Ertem
Ambassador, Turkey

Allen You
Ambassador, China

Data Collection Framework



* NOT TE AMBASSADORS BUT GOOD COLLABORATORS

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 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

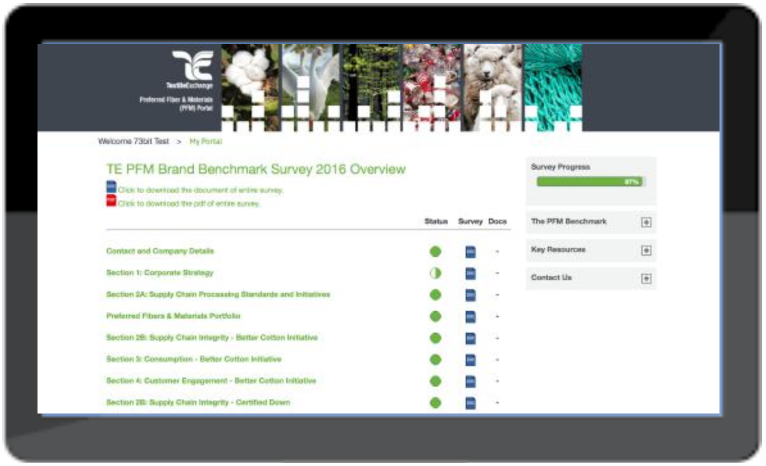
- Completeness of the report is dependent upon disclosure and accuracy of data gathered.
- Aligning different methodologies of calculation: waste factors, yarn calculations, average product weight.

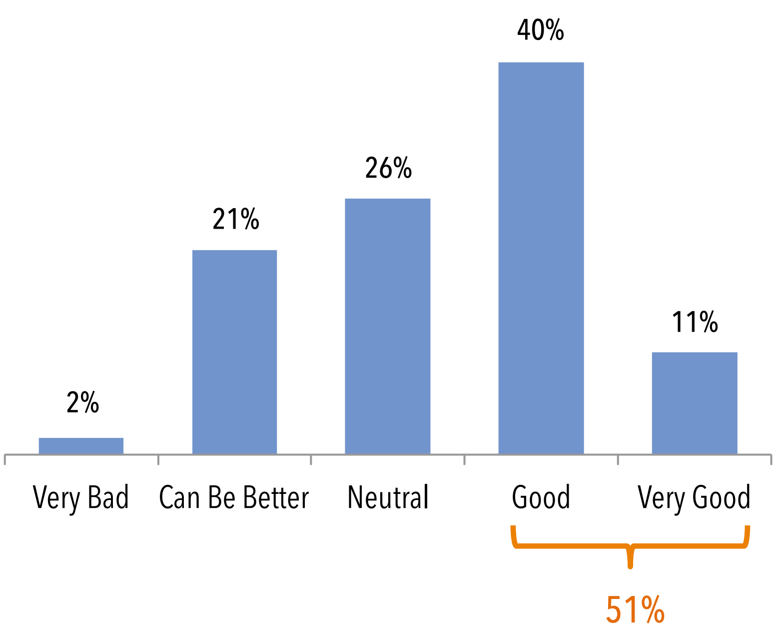
PFM Benchmark Framework

Corporate Strategy	Supply Chain	Consumption	Customer Engagement
Q1. Corporate Values	Q10-11. Processing Standards & Initiatives	Q19. History	Q22-24. Market Presence
Q2-5. Sustainability Strategy	Q12-13. PFM Porfolio	Q20. Targets	Q25-26. Product Differentiation
Q6-7. Integration	All following questions will be modularized according to PFM selected.	Q21. Volume	Q27-28. Corporate Returns
Q8. Tools	Q14. Chain of Custody		Q29. Education
Q9. Reporting	Q15-16. Traceability		
	Q17-18. Investment		

- 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

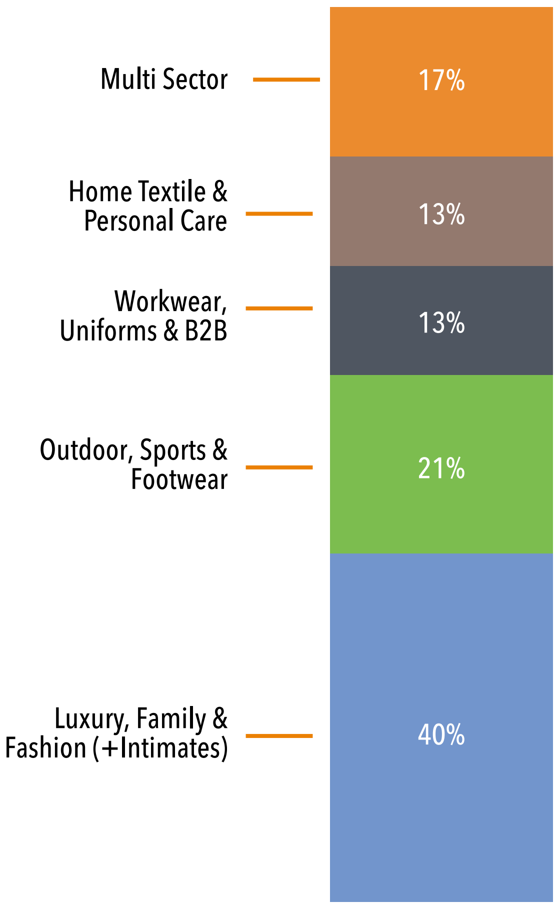
Next?

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

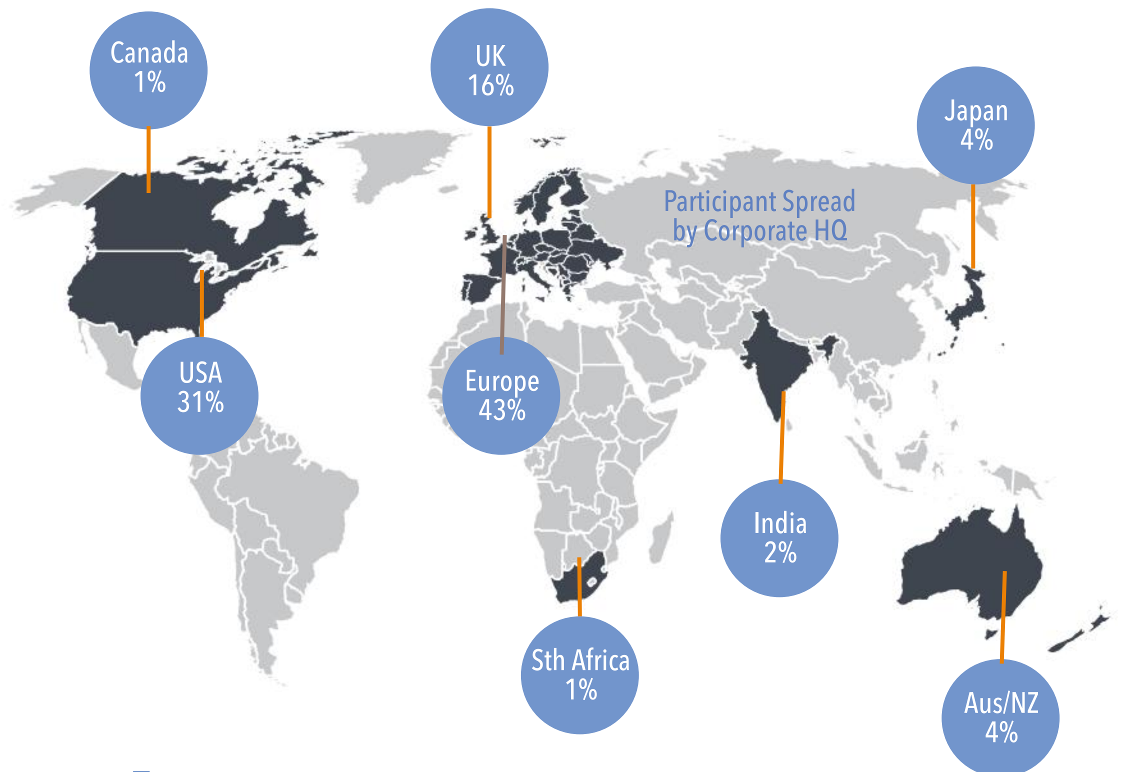
Participants Profile

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

Sub-Sector Breakdown



Participants Spread by Corporate HQ



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

Scene Setting

Cream Workwear

- 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.

Scene Setting

Dedicated

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PATAGONIA : 20 YEARS OF ORGANIC COTTON

1990s

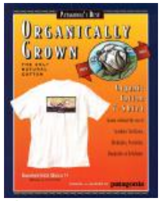
1991
Wrote mission statement that established Patagonia's commitment to addressing the environmental crisis.

1991
Commissioned Life Cycle Analysis on cotton, wool, polyester and nylon.

1992
Introduced first organic cotton garment.

1992
Commenced cotton farm tours for Patagonia staff to learn about the benefits of organic cotton farming; cotton farm tours program runs through 1999.

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

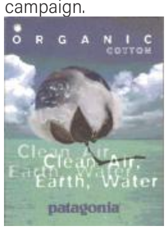


1995
Distributed monthly "Organic Cotton Rag" as education leading up to launch of 100% organic in Spring 1996.

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.



2000s

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

bluesign®

2001
Launched environmental campaign against GMOs.

2001
Became a Fair Labour Association (FLA) Participating Company.

FAIR LABOR ASSOCIATION

2002
Co-founded Organic Exchange (now Textile Exchange)

TextileExchange

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

2008
FLA accredited Patagonia's Social Compliance Program.

2009
Co-founded Sustainable Apparel Coalition.

Sustainable Apparel Coalition

2010s

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

FAIR TRADE CERTIFIED™

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

2015
Introduced Patagonia's 100% organic cotton denim now made with less impactful dyeing and Fair Trade Certified® sewing.

2016
Celebrating 20 years of organic cotton.

The Organic Market

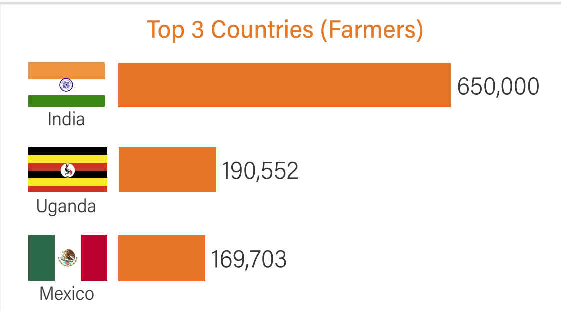
Farmers

The number of organic producers is increasing

2.3m
organic farmers

+13%
from 2013

Top 3 Countries (Farmers)



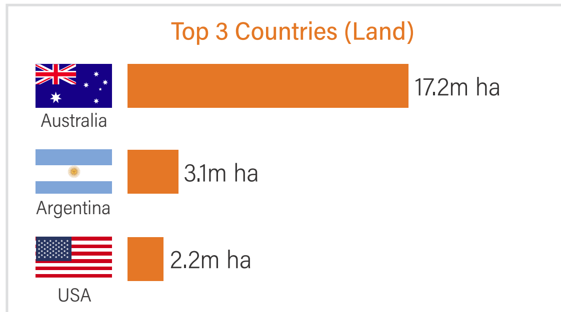
Certified Land

43.7m ha
organic farmland

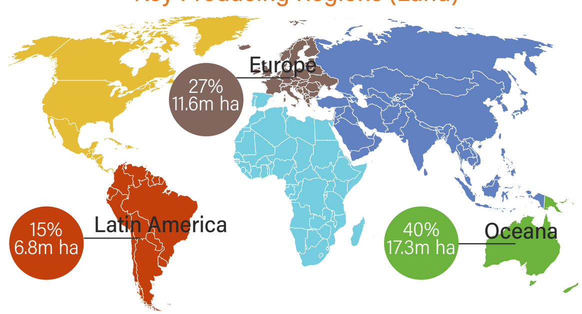
172 countries
in organic farming
(up from 170 in 2013)

+0.5m ha
from 2013

Top 3 Countries (Land)



Key Producing Regions (Land)



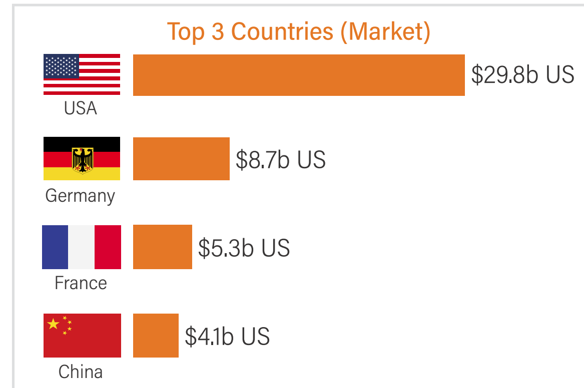
Market

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)



+40%
unprecedented growth in Sweden

3 yrs
successive growth in the UK 2012-2014

$244 US
highest per capita spending is in Switzerland

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 expertize 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

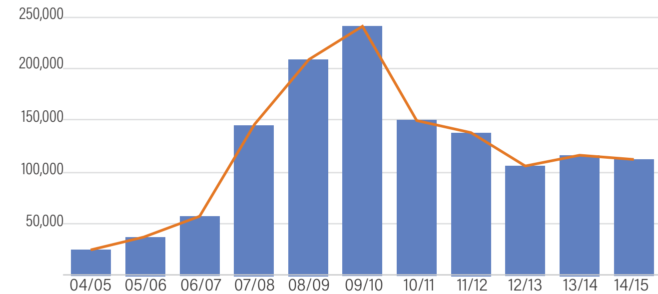
193,840 farmers

350,033 ha certified land

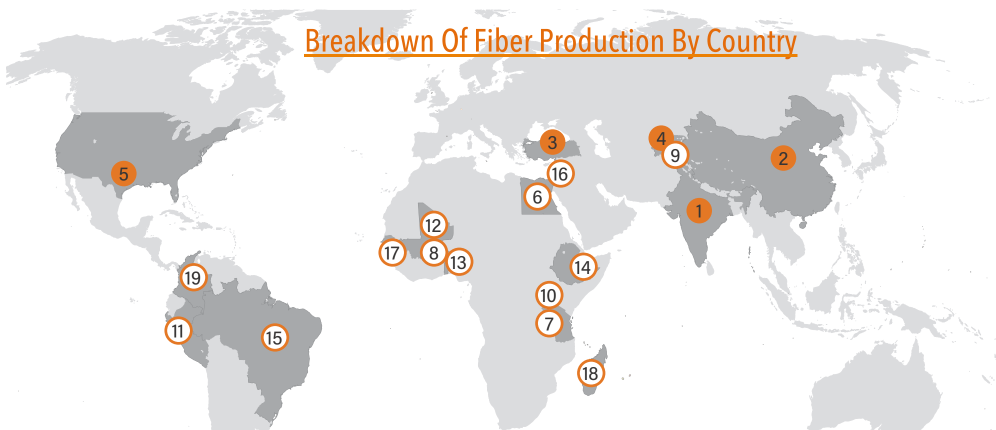
112,488 mt fiber

85,671 ha in-conv 15/16-17/18

Global Fiber Production Trend (mt)



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

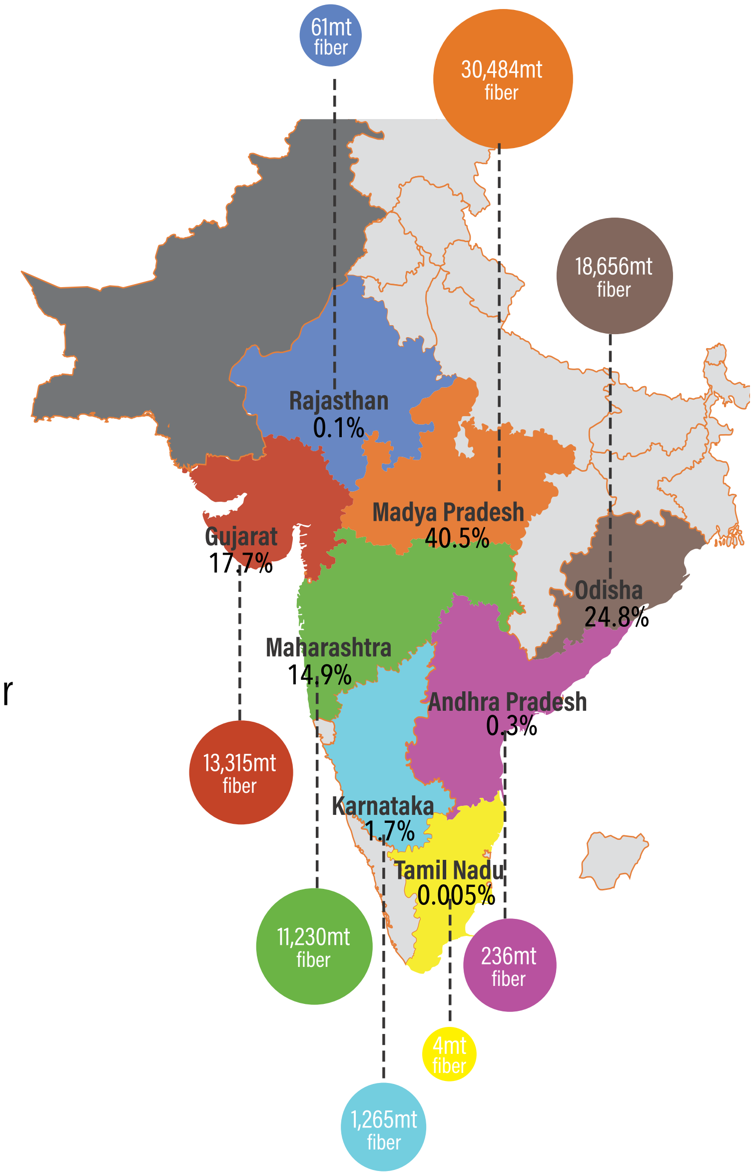
GLOBAL: ↓3.8%

- India: ↓13.4%
- China: ↑7.5%
- Turkey: ↓8.2%
- Kyrgyzstan: ↑1915.5%
- USA: ↑0.7%
- Egypt: ↑368%
- Tanzania: ↓42.8%
- Burkina Faso: ↑23.5%
- Tajikistan: ↑459.3%
- Uganda: ↑13.6%
- Peru: ↓3.8%
- Mali: ↑297.5%
- Benin: ↓11.2%
- Ethiopia: ↑100%
- Brazil: ↑39.1%
- Israel: ↓53.3%
- Senegal: ↓36.1%
- Madagascar: ↓5.4%
- Columbia: ↑100%

India Production Profile

157,721	276,736	75,251	76,080
farmers	ha land	fiber	ha In-Conv 15-18

- 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.



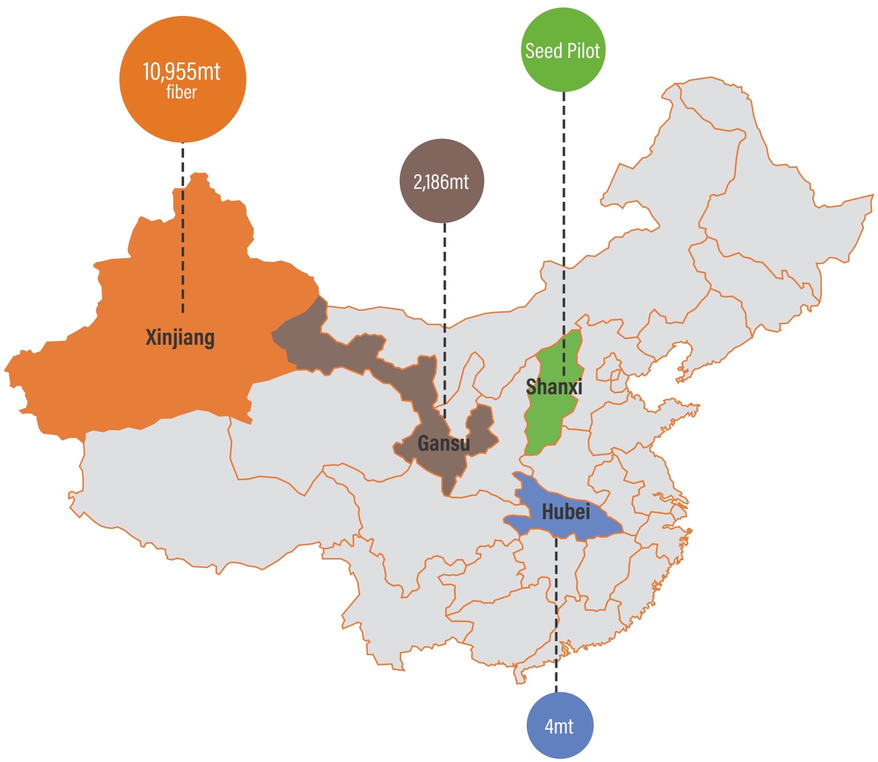
China Production Profile

2,862
farmers

6,742
ha land

13,145
fiber

1,277
ha In-Conv 15-18



- 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 Gangsu and to a much less degree in Hebei.

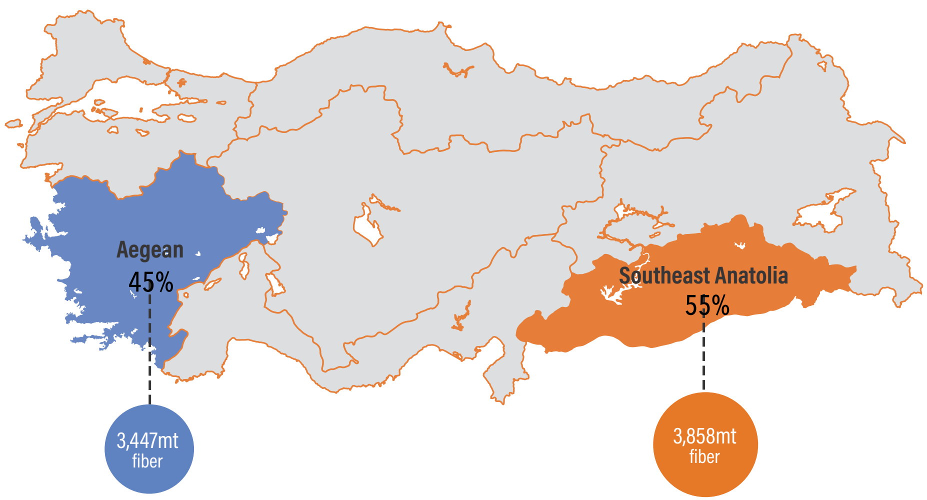
Turkey Production Profile

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.

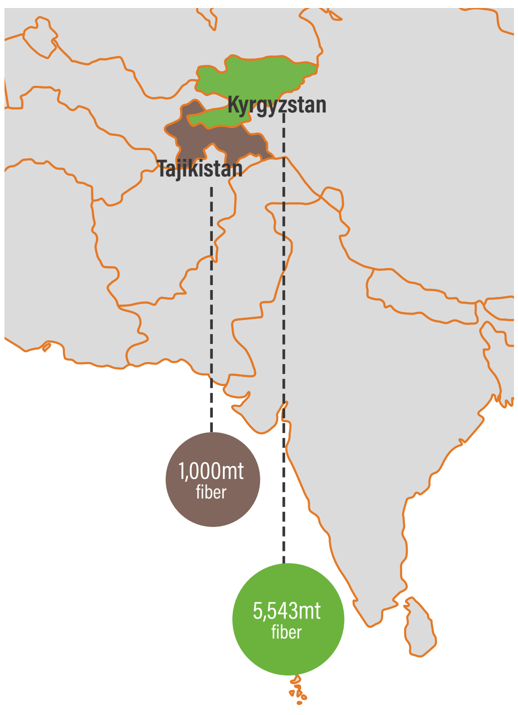
Kyrgyzstan Production Profile

711
farmers

5,136
ha land

5,543
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 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.

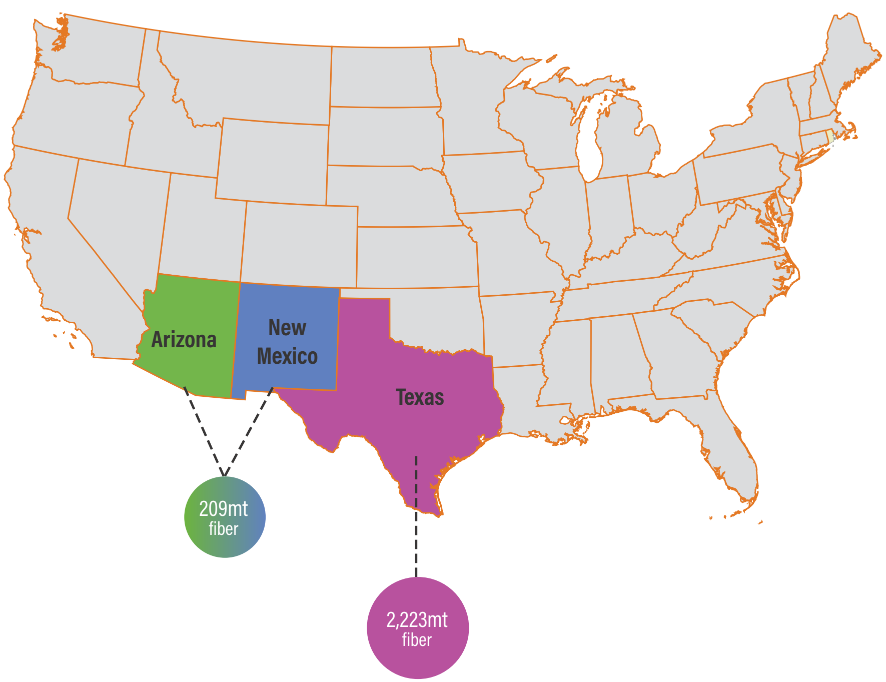
USA Production Profile

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.

Market Review

1. 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.

2. Origins Matter - Companies are talking more about their preferred fiber and materials portfolios and where their products originate.

3. 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.

4. 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.

5. 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

6. Organic Cotton is a Launching Pad - What companies have learned from organic cotton is being applied to preferred fiber and materials.

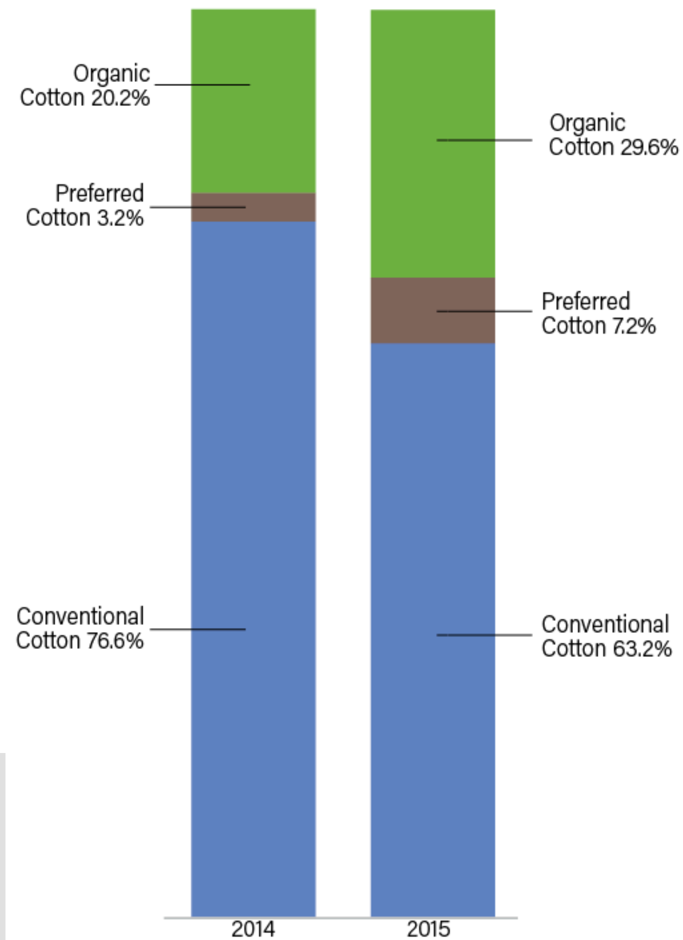
Market Trends

$15.76 billion US market value

Stable growth

- 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).

Top 10 Users' Cotton Portfolio Breakdown



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.

2016 Leaderboards

Top 10 Users By Volume

1	C&A
2	H&M
3	Tchibo
4	INDITEX
5	
6	DECATHLON
7	Carrefour
8	LINDEX
9	WILLIAMS-SONOMA, INC.
10	stanley stella

Top 10 Users By Growth

1	earth positive
2	INDITEX
3	VOLCOM
4	prAna
5	W WOOLWORTHS
6	LOOMSTATE
7	PACT
8	STELLA McCARTNEY
9	stanley stella
10	CONTINENTAL

Race-To-The-Top

1	NORRØNA
= 2	People Tree Sustainable and Fair Trade Fashion
= 2	portico
3	MARA HOFFMAN
4	EILEEN FISHER
5	prAna
6	OUTERKNOWN
7	Raven + Lily
8	STELLA McCARTNEY
9	Tchibo
10	skunkfunk

100% Club

Arthur & Henry, patagonia, stanley stella, BOLL & BRANCH, DEDICATED, MEC, PACT, earth positive, INDIGENOUS Organic + Fair Trade Fashion, BGREEN Organic. Fair Trade. Made in USA, ethicus Organics Garments Home, cream, KnowledgeCotton Apparel, HempAge, LOOMSTATE, Oi Organic Initiative, UNDER THE CANOPY, cotonea, ARMEDANGELS, COYUCHI, Sense Organics, no nasties organic & fair trade clothing, mini rodini, naturepedic

Organic Fair Trade

1	coop
2	cotonea
3	BOLL & BRANCH
4	PACT
5	dibella longlife textiles
6	ARMEDANGELS
7	epona
8	elis
9	prAna
10	mini rodini

- 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.

Standards & Certification

1. Processing Standards - Certified Facilities Trends For 2015 - GOTS certified facilities in 68 countries & OCS in 48 countries. Slight reduction of OCS facilities.

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

Collective Action

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:

1. Cotton 2040 - a platform launched by Forum for the Future in 2015.
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, Solidridad, 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

Preferred Cotton	2.2m mt (8.6%)[7]
Conventional Cotton	23.9m mt (91.4%)

2013/14

Preferred Cotton	1.1m mt (4.4%)
Conventional Cotton	25.1m mt (95.6%)

2012/13

Preferred Cotton	1m mt (3.7%)
Conventional Cotton	25.9m mt (96.3%)

2011/12

Preferred Cotton	0.5m mt (2.0%)
Conventional Cotton	27.2m mt (98.0%)

	BCI Better Cotton Initiative	Sustainable Cotton Project	Cotton made in Africa	e3	Fairtrade	OCRT Textile Exchange[8]	CottonConnect REEL Cotton
Objective	To transform the market by making Better Cotton a responsible mainstream commodity.	Cleaner Cotton: Cleaning Up Cotton In California	Sustainable African Cotton for a global Textile Industry.	To create a more sustainable American landscape	Ensuring income security and community development	Sustaining the health of soils, ecosystems and people	To create more sustainable, traceable cotton.
Investment Model	Membership fee Donor funding Growth & Innovation Fund	Price differential to producers	Volume based license fee Donor funding Extension delivery partner	Contract growing	Fixed minimum price and social premium	Prices agreed between grower and buyer or traded in the market often with a price differential	Capacity building projects and value chain services covered by brand
Verification / Certification (farm level)	Self-assessment Credibility checks 3rd party verification (through sample selection)	2nd party monitoring	3rd party program verification	Self-evaluation and 3rd party audits	Verification (annual) Certification by 3rd party	Verification (annual) Certification by 3rd party	Verification by CottonConnect 3rd party (at additional cost)
Chain of Custody	Mass-balance from merchant onward Physical traceability at farm and gin	Bale identification system	Mass balance Identity Preserved (option)	Identity preserved to the mill for further content claims use	Identity preserved Mass Balance (new option)	Identity preserved Certification of Supply Chain (GOTS, OCS)	Bale preserved - procurement links to supply chain provided if required.
GMOs excluded	No	Yes	Yes	No	Yes	Yes	No
Land (ha)	2,584,500	324	973,533	101,171	45,031	356,424 (cotton/other crops)	46,644
Fiber (mt)	1,969,700	600	341,536	113,398	15,021	112,488	53,917
Growth (fiber)	↑163%	↑0.2%	↑125%	↑1.5%	↓4%	↓3.8%	↑26%

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.

TextileExchange Organic Cotton Round Table

Platform for Collective Action & Incubator for Great Ideas

HAMBURG
6th Oct
Thursday
9am - 6pm

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

Visit: textileexchange.org/organic-cotton-round-table/ocrt-hamburg-2016/

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

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

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

Laure Heilbron

Executive Director, Organic Cotton Accelerator (OCA)

The Organic Cotton Accelerator

Growing the future together

ORGANIC COTTON ACCELERATOR

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

Improved farmer business case through access to high-quality seeds and direct differential payment

Increased integrity of organic claims through building an effective traceability system

Aligned and integrated organic cotton sector through coordinated efforts for integration and governance change

ORGANIC COTTON ACCELERATOR

Founding partners

Network partners

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!

secretariat@organiccottonaccelerator.org
+31 (0)30 234 8218

LET'S GROW THE FUTURE TOGETHER

Rhett Godfrey
Co-Founder, Chetna Coalition (ChetCo), USA

CHETNA COALITION

Chetna Organic, India

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 49 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 (3DP&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.

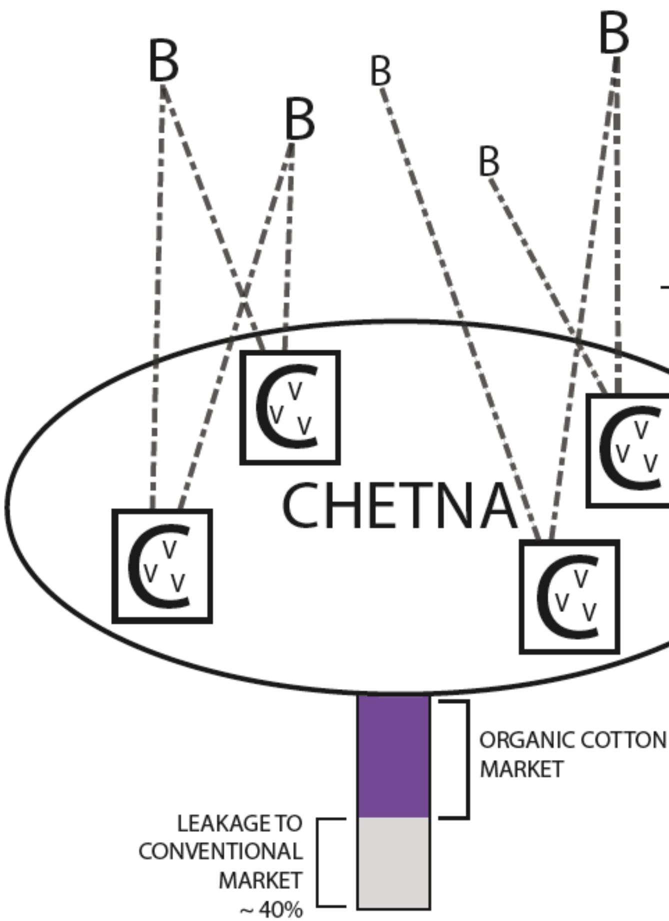
Highlights: Member brands are investing in innovative community development funds and programs. Growing demand has influenced Chetna's investment in farm data management and a transparency platform called SourceTrace.

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]

Table 1.

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

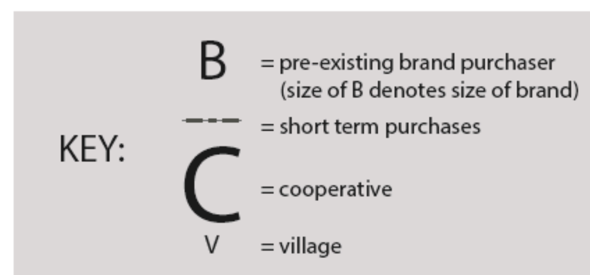
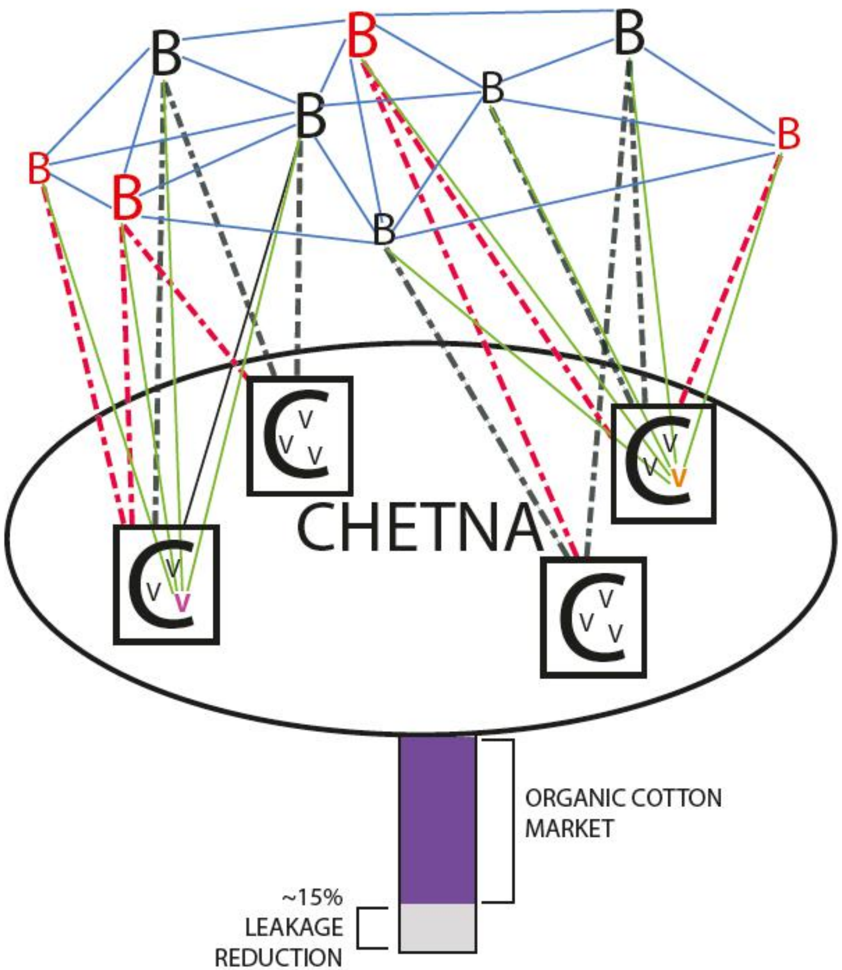


Table 2.

Chetna Coalition Pilot Achievements



= long term purchasing commitment, direct to village

Sustained long term purchasing volumes
10-30% of the total purchasing volumes

= brand collaboration

Coordination, shared learning and value development

B = new brand

New brands purchasing from Chetna and attracted to Coalition for
- increased regional transparency, direct farmer relationships,
- Continual and measurable community sustainability performance

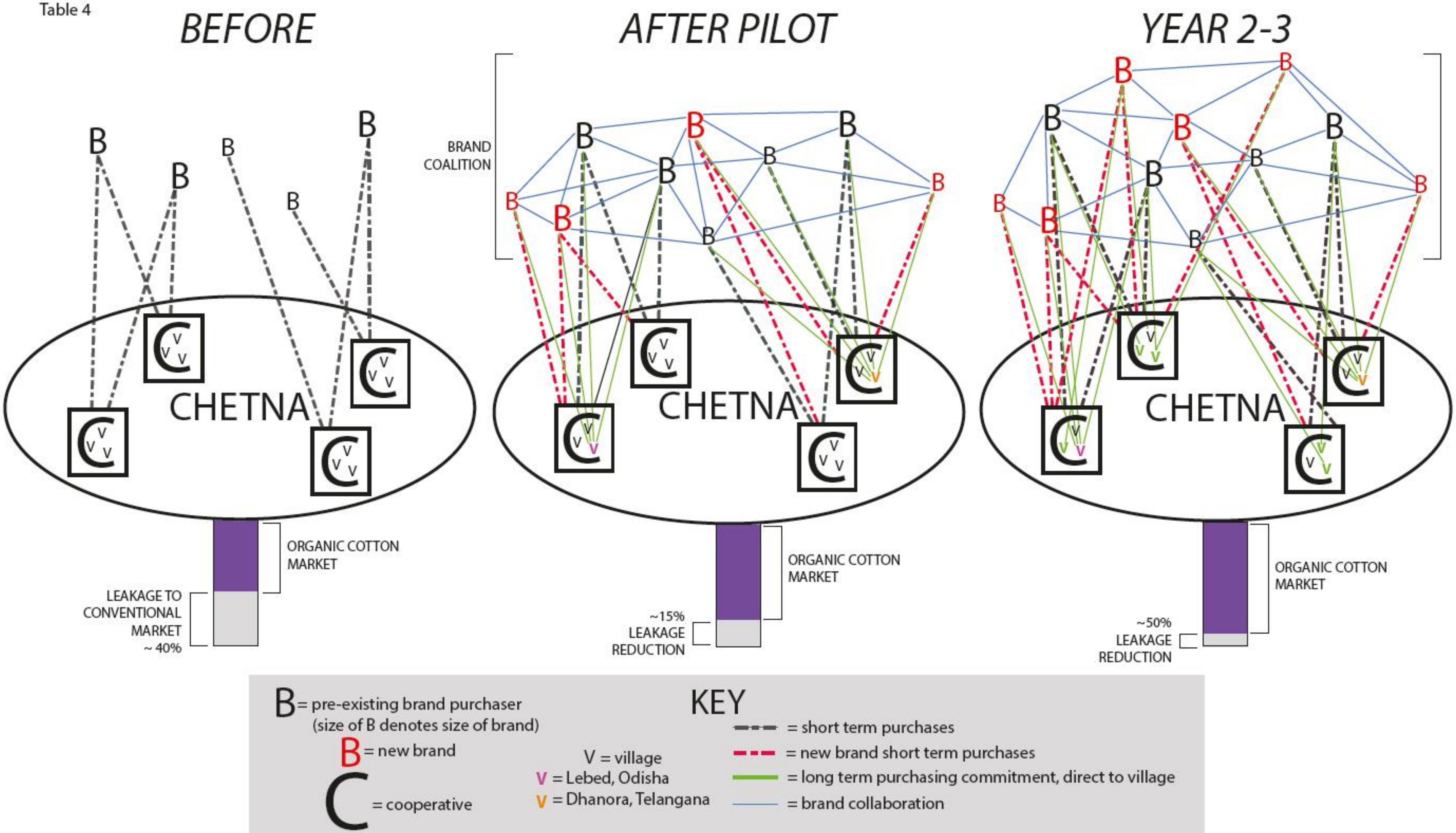
= new brand short term purchases

Sourcing additions acquired through new brands

V = Lebed, Odisha
V = Dhanora, Telangana

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
BRAND COALITION
CHETNA
ORGANIC COTTON MARKET
LEAKAGE TO CONVENTIONAL MARKET ~ 40%
~15% LEAKAGE REDUCTION
~50% LEAKAGE REDUCTION
KEY
B = pre-existing brand purchaser (size of B denotes size of brand)
B = new brand
C = cooperative
V = village
V = Lebed, Odisha
V = Dhanora, Telangana
= short term purchases
= new brand short term purchases
= long term purchasing commitment, direct to village
= brand collaboration


Organic Cotton Sales
% of Total [MT]
17.3%
[301 MT]
20.6%
[310 MT]
49.2%
[962 MT]
Before ChetCo
2013-2014
ChetCo 1st Year
2014-2015
ChetCo 2nd Year
2015-2016

Thank You!

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

www.textileexchange.org