

# ORGANIC COTTON: AN OPPORTUNITY FOR TRADE



---

## ABSTRACT FOR TRADE INFORMATION SERVICES

ID=38341

2007

SITC-263 ORG

International Trade Centre UNCTAD/WTO

### **Organic Cotton : An Opportunity for Trade .**

Geneva: ITC, 2007. v, 48 p.

Doc. No. MDS-07.121.E

Report analysing the global market for organic cotton fibre, textiles and clothing - gives a definition of organic cotton and 'fair trade' cotton; provides detailed figures for organic cotton production, trade, and consumption; presents the geographical markets for organic cotton fibre, textiles; describes the involvement of many large brands and retailers, and reviews organic cotton markets in the United States, Switzerland, Germany, United Kingdom and France; provides a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the organic cotton market worldwide; includes recommendations, and a bibliography (p. 48).

**Descriptors: Cotton, Textiles, Clothing, Natural fibres, Organic Products, Quality Standards, Fair Trade, United Kingdom, France, Germany, Switzerland, Market Surveys.**

EN

International Trade Centre UNCTAD/WTO, Palais des Nations, 1211 Geneva 10, Switzerland (<http://www.intracen.org>)

---

The designations employed and the presentation of material in this report do not imply the expression of any opinion whatsoever on the part of the International Trade Centre UNCTAD/WTO (ITC) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Mention of names of firms/institutions/associations does not imply the endorsement of ITC.

This technical paper has not been formally edited by the International Trade Centre UNCTAD/WTO (ITC)

ITC encourages the reprinting and translation of its publications to achieve wider dissemination. Short extracts may be freely reproduced, with due acknowledgement of the source. Permission should be requested for more extensive reproduction or translation. A copy of the reprinted or translated material should be sent to ITC.

**MDS-07.121.E**

## **Acknowledgements**

This report was written by Peter Ton, consultant on cotton.

## Note

The word ‘billion’ is used to mean a thousand million. ‘Tons’ are metric tons. The following abbreviations are used:

BCI	Better Cotton Initiative
CSR	Corporate social responsibility
EU	European Union
EUR	Euros
FCFA	Franc communauté financière africaine
FLO	Fairtrade Labelling Organizations International
GBP	United Kingdom pounds
GM	Genetically modified
GOTS	Global Organic Textile Standards
H&M	Hennes & Mauritz
ICM	Integrated crop management
IFOAM	International Federation of Organic Agriculture Movements
IMO	Institute for Marketecology
IPM	Integrated pest management
IVN	Internationaler Verband der Naturtextilwirtschaft (Germany)
JAS	Japan Agricultural Standard
JOCA	Japan Organic Cotton Association
M&S	Marks & Spencer
NGO	Non-governmental organization
NOP	National Organic Program (United States)
OTA	Organic Trade Association (United States)
PAN	Pesticide Action Network
USD	United States dollars
USDA	United States Department of Agriculture



## Contents

<b>Introduction .....</b>	<b>1</b>
<b>1. Organic cotton and ‘fair trade’ cotton .....</b>	<b>2</b>
1.1 Organic cotton.....	2
1.1.1 Definition.....	2
1.1.2 Standards .....	3
1.1.3 Requirements for processing .....	3
1.2 ‘Fair trade’ cotton.....	4
1.2.1 Definition.....	4
1.2.2 Standards .....	5
1.2.3 Development of fair trade cotton.....	6
1.2.4 Organic and fair trade .....	7
<b>2. The organic cotton market .....</b>	<b>8</b>
2.1 The history of organic cotton production.....	8
2.1.1 Trends in the 1990s .....	8
2.1.2 Trends between 2000 and 2005 .....	9
2.2 Organic cotton production.....	10
2.3 Organic cotton consumption.....	14
2.4 Organic cotton: an issue of large brands ?.....	15
2.5 Organic cotton processing .....	16
2.6 Retail of organic cotton items .....	17
2.7 Pricing and positioning .....	18
2.8 ‘Fair’ pricing.....	19
<b>3. Geographical markets and large brands .....</b>	<b>20</b>
3.1 Geographical markets .....	20
3.2 Large international brands .....	20
3.3 United States of America.....	24
3.4 Switzerland .....	27
3.5 Germany .....	29
3.6 United Kingdom.....	31
3.7 France.....	33
3.8 Other markets .....	34
<b>4. Future development of the organic cotton market.....</b>	<b>35</b>
4.1 Arguments in favour of expanding organic cotton.....	35
4.2 Arguments against expanding organic cotton .....	36
4.3 Opportunities .....	38
4.4 Threats .....	40
<b>5. Conclusions and recommendations .....</b>	<b>42</b>
<b>References .....</b>	<b>48</b>



## **Introduction**

This report analyses the global market for organic cotton fibre, textiles and clothing.

Chapter 1 gives a definition of organic cotton and 'fair trade' cotton.

Chapter 2 provides detailed figures for organic cotton production and trade, and for organic cotton consumption.

Chapter 3 presents the geographical markets for organic cotton fibre, textiles and clothing. It describes the involvement of many large brands and retailers, and discusses the five largest markets for organic cotton to date: the United States of America, Switzerland, Germany, the United Kingdom and France.

Chapter 4 comprises a SWOT analysis of the Strengths, Weaknesses, Opportunities and Threats of the organic cotton market worldwide.

Conclusions and recommendations are presented in chapter 5.



# 1. Organic cotton and 'fair trade' cotton

## 1.1 Organic cotton

### 1.1.1 Definition

Organic cotton is cotton that originates from organic agriculture. Agricultural production is considered 'organic' when it has been certified 'organic' by independent inspection and certification bodies according to the rules and regulations that apply in that particular country, region, or envisaged consumer market.

The International Federation of Organic Agriculture Movements (IFOAM), which is the representative body for organic agriculture worldwide, defines 'organic agriculture' according to four principles:<sup>1</sup>

- *The principle of health.* Organic agriculture should sustain and enhance the health of soil, plant, animal, human and planet as one and indivisible.
- *The principle of ecology.* Organic agriculture should be based on living ecological systems and cycles, work with them, emulate them and help sustain them.
- *The principle of fairness.* Organic agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities.
- *The principle of care.* Organic agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment.

In general, organic agriculture aims for an optimum and sustainable use of local natural resources for production without the application of external inputs like synthetic pesticides, chemical fertilizers, herbicides, defoliants and chemically treated or genetically modified (GM) seed. External 'organic' inputs may be used.

Farmers wishing to convert to organic agriculture will have to go through a conversion period of one to three years, depending on their fields' history. The conversion period enables the soil and the environment to recover from previous cultivation, while applying organic methods of production. The 'in-conversion' produce cannot be sold as 'organic', and does not usually fetch a premium in the market. The risks and costs of conversion are a major barrier to the adoption of organic agriculture.

Organic production is generally more labour intensive, and yields may be – but are not necessarily – lower than in conventional production. Organic farmers usually fetch a premium for their produce in order to compensate for any yield loss, for increased handling operations and for additional costs such as inspection and certification. The premium may also be paid in order to ensure the loyalty of producers to the organic scheme.

---

<sup>1</sup> IFOAM is in the process of establishing a full definition of 'organic agriculture'; expected in 2008. For the four guiding principles see [www.ifoam.org/about\\_ifoam/principles](http://www.ifoam.org/about_ifoam/principles).

### 1.1.2 Standards

The European Union (EU regulation 2092/91),<sup>2</sup> the United States (NOP)<sup>3</sup> and Japan (JAS), among others, protect the use of the word ‘organic’ on food and processed food for sale. These regulations apply to products deriving from agriculture and animal husbandry, but not to products like fish or to non-food items such as cotton products. There are thus no particular legal requirements for the import and sale of organic cotton and organic cotton products in the main consumer markets in the North, other than those for conventional cotton.

However, in order to distinguish cotton originating from certified organic farms from conventional cotton, market players will consider cotton ‘organic’ only if the seed cotton was produced on certified organic farms and processed in certified organic ginning mills. Certification by third parties is generally requested in order to back up producers’ organic claims, and to strengthen trust between the supplier and the buyer.

Organic seed cotton and cotton fibre<sup>4</sup> should be treated separately from conventional seed cotton and cotton fibre at any time; whether on the field, at storage in the village, on transport to the ginnery, during ginning, during storage at the ginnery or port, or during transport to the textile processing unit. The separate treatment should be duly documented and archived for the purpose of inspection and certification by a third party. Buyers will usually request a ‘transaction certificate’ from a third party to ensure that the cotton fibre traded was produced according to organic standards.

Standard-setting for the processing and trade of organic cotton fibre results from private initiative. The lack of regulatory back-up by governmental policy can be considered a weak element of the current organization of the organic cotton sector. This was grounds, for example, for IFOAM to call upon the European Union (EU) to include organic textiles in the 2006 revision of the EU organic regulatory framework (IFOAM, 2005).

### 1.1.3 Requirements for processing

Private standards have also been developed for the environment-friendly processing of organic cotton fibre into yarn, fabric and garments. Many different voluntary standards for the ecological processing of organic cotton and textiles were developed, among others by the following control and certification agencies: Control Union/Skal (Netherlands), Organic Trade Association (OTA) (United States), Internationaler Verband der Naturtextilwirtschaft (IVN) (Germany), Soil Association (United Kingdom), Japan Organic Cotton Association (JOCA) (Japan) and Naturland

---

<sup>2</sup> For an explanation of the EU regulatory framework for organic agriculture, see [http://ec.europa.eu/agriculture/qual/organic/brochure/abio\\_en.pdf](http://ec.europa.eu/agriculture/qual/organic/brochure/abio_en.pdf).

<sup>3</sup> For the USDA National Organic Program (NOP), see [www.ams.usda.gov/nop/NOP/standards.html](http://www.ams.usda.gov/nop/NOP/standards.html).

<sup>4</sup> Cottonseed has much lower value (10–15% of seed cotton value) than cotton fibre (85–90%). The organic cottonseed resulting after ginning (about 55% of seed cotton weight) can also be traded as organic, for example for use as animal feed in the organic dairy industry.

(Germany). Individual companies may also have their standards for the ecological processing of their 100% organic cotton textiles and clothing.<sup>5</sup>

Global harmonization of organic textile standards is underway. Global Organic Textile Standards (GOTS) have been developed recently by the certifying bodies IVN, JOCA, Soil Association and OTA.<sup>6</sup> Other certifiers are expected to join the GOTS initiative, which was launched on 1 October 2006. The harmonized standard aims to ensure the organic status of textiles, from harvesting of the raw materials, through environmentally and socially responsible manufacturing up to labelling, in order to provide credible assurance to the end-consumer. GOTS enables textile manufacturers to qualify their organic fabrics and garments with one certificate accepted in all major world markets, which is an important step towards harmonization and transparency of textile labels (IMO, 2006).

The organic cotton business network Organic Exchange has established standards for textile certification which do not require all cotton used to be organic. The Organic Exchange Blended Standard (2005)<sup>7</sup> relates to the tracking and tracing of certified organic cotton fibre that is blended into conventional textiles, for example at a rate of 5% organic cotton with 95% other fibres (conventional cotton, synthetic fibres, wool, etc.).

Finally, there are a number of public and private labelling schemes that consider the sustainability of textile processing from the angle of consumer safety and the allergenicity of textiles and clothing. Examples are the EU Flower eco-label for textiles and schemes such as Oeko-Tex 100 which ensure low levels of chemical residues in end-products.<sup>8</sup> These schemes, however, do not require the use of organic cotton fibre.

## 1.2 'Fair trade' cotton

### 1.2.1 Definition

'Fair trade' is promoted by a wide array of organizations internationally. In 2001 the four umbrella organizations for fair trade initiatives agreed upon the following definition of 'fair trade': *'Fair trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair trade organizations (backed by consumers) are actively engaged in supporting producers, in awareness raising and in campaigning for changes in the rules and practices of conventional international trade.'* (Krier, 2005.)

---

<sup>5</sup> Examples are Remei (Switzerland; bioRe label) and OTTO (Germany; Pure Wear label).

<sup>6</sup> The Global Organic Textile Standards are summarized at [www.global-standard.org](http://www.global-standard.org).

<sup>7</sup> The OE Blended Standard 2005 is available at [www.organicexchange.org](http://www.organicexchange.org).

<sup>8</sup> For a brief comparison of the EU Flower scheme and the Oeko-Tex scheme, see [www.eco-forum.dk/textile-purchase/index\\_files/Page2303.htm](http://www.eco-forum.dk/textile-purchase/index_files/Page2303.htm).

Fair trade's strategic intent is *'to deliberately work with marginalized producers and workers in order to help them move from a position of vulnerability to security and economic self-sufficiency, to empower producers and workers as stakeholders in their own organizations, and to actively play a wider role in the global area to achieve greater equity in international trade'* (Krier, 2005).

Textiles and clothing made of fair trade cotton have been for sale in several European countries since 2005. This 'fair trade' cotton is produced by farmers whose producer organizations have been certified according to the standards of Fairtrade Labelling Organizations International (FLO), one of the four umbrella organizations referred to above. FLO is the leading 'fair trade' standard setting and certification body.

FLO works with labelling initiatives in 15 European countries as well as Australia and New Zealand, Canada, Japan, Mexico and the United States. FLO regularly inspects and certifies about 500 producer organizations in more than 50 countries in Africa, Asia and Latin America. Producers from countries in Europe, the United States and Turkey, among others, are not currently eligible to sell under fair trade.

Fair trade favours the transparent management of producer organizations and the empowerment of producers. Fair trade cotton contributes to higher producer income and to poverty reduction.

### **1.2.2 Standards**

Smallholders participate in fair trade through membership-based producer organizations (cooperatives, producer groups, associations, etc.). FLO controls and verifies these organizations according to two sets of standards: generic standards and product standards.<sup>9</sup> The generic standards aim to ensure transparency in management of the producer organizations. Progress requirements are used in addition to encourage producers to continuously improve their livelihoods and organization (FLO, 2005).

Product standards now exist for bananas, cane sugar, cocoa, coffee, dried fruit, flowers, fresh fruits and vegetables, fruit juices, herbs and spices, honey, nuts and oilseeds, quinoa, rice, seed cotton, sport balls, tea and wine grapes. The product standards for seed cotton were established in 2004 and revised in 2006 (FLO, 2006a). There are no standards yet for the processing and trade of fair trade cotton throughout the cotton textile production chain. Generic standards for traders are under development.

Fair trade is based on paying producers a guaranteed minimum price. The minimum price should be high enough to cover the costs of production and the producer's costs of living, plus the costs of control and certification by the inspection body FLO-Cert that certifies against the fair trade standards established by FLO. In addition to the minimum producer price, a communal premium is paid to the producer organization for investment in projects that have been collectively decided upon by its members.

---

<sup>9</sup> The FLO generic standards for smallholder farmers' organizations and the FLO standards for seed cotton for smallholder farmers' organizations are available at: [www.fairtrade.net/standards.html](http://www.fairtrade.net/standards.html).

The product standards for fair trade cotton caution producers about pesticide use. FLO works with a list of prohibited materials which includes a number of pesticides that are in use in conventional cotton production in some countries, such as the insecticides endosulfan, metamidophos, monocrotophos and triazophos, and the fungicides lindane and paraquat (FLO, 2006b). The prohibition of these highly toxic pesticides reduces the hazards of pesticide poisoning and food contamination. FLO further encourages producers and their organizations to reduce their overall pesticide use through integrated pest management (IPM) strategies.

### **1.2.3 Development of fair trade cotton**

FLO works with a guaranteed minimum price for producers that varies according to the production context of each country. In West Africa, the minimum price was fixed at FCFA 238 per kg of seed cotton (EUR 0.36 per kg; i.e. USD 0.43 per kg, or USD 0.20 per pound), which is well above the local conventional price. For example, in Burkina Faso and in Mali the conventional price was FCFA 210 per kg in 2004/05, and FCFA 175 in Burkina Faso and FCFA 160 in Mali in 2005/06. The producer price of the fair trade cotton was thus 13% higher than for conventional cotton in 2004/05, 36% higher in Burkina Faso in 2005/06, and 49% higher in Mali in 2005/06. A communal premium price of FCFA 34 per kg of seed cotton was paid as well, after sale of the fibre.

The higher price of fair trade cotton must be put in context though. Firstly, the producer price also covers the costs of registration, inspection and certification by FLO-Cert. Secondly, the producers in West Africa agreed to select their seed cotton more thoroughly at harvest in order to ensure quality.<sup>10</sup> They sold seed cotton of a higher value to the ginning and trading companies than in conventional trade. Thirdly, the producers receive the communal premium only for the cotton fibre quantities that have actually been sold by the buyer in the marketplace as fair trade cotton.

Fair trade cotton, certified by FLO-Cert, is in its third year of existence. There are now eight FLO-certified groups in six countries: Burkina Faso, Cameroon, India, Mali, Peru and Senegal. In 2005, the first season of sale, trade in FLO-certified cotton involved 1,400 tons, half of which went to France and half to Switzerland. Since then, sale of fair trade cotton products has extended to Austria, Belgium, Luxembourg and the United Kingdom. Sales will be launched in the Netherlands in 2007. Germany and the United States may follow suit. Sales in 2006 were expected to be approximately 4,000 tons of cotton fibre.

Actors currently involved in the processing and distribution of fair trade cotton include a variety of textile and clothing producers selling, among others, socks, T-shirts, polo shirts, household textiles, and cotton products for cosmetics. Distribution channels include mail order, department stores, independent shops and specialized boutiques.

---

<sup>10</sup> This is not a formal requirement of FLO, but was rather the result of a voluntary agreement between the buyer, the French group Dagrís, and the fair trade cotton producers in West Africa.

#### **1.2.4 Organic and fair trade**

FLO does not require fair trade cotton to be produced organically. However, the produce may well be certified organic. Market actors are increasingly looking for 'organic fair trade' cotton when developing policies of corporate social responsibility (CSR). Consumers of textiles and clothing do not want products to be just organic or fair trade; they want them to be both.

The FLO standards prescribe the level of the additional premium that is paid for certified organic produce. In West Africa, the organic premium is FCFA 34 per kg of cotton (EUR 0.05 per kg; i.e. USD 0.06 per kg, or USD 0.027 per pound). A minor part of the FLO-certified fair trade cotton is currently certified organic.

## **2. The organic cotton market**

This section presents the history (2.1), the supply (2.2) and the demand (2.3) of organic cotton worldwide, and gives estimates for the production, trade and consumption of organic cotton fibre since the early 1990s. Information is also provided about the retail end of the cotton textile supply chain.

### **2.1 The history of organic cotton production**

The certified production and consumption of organic cotton dates back to the early 1990s, when pioneers in the United States and Turkey started to create markets for cotton that was grown as a rotational crop on certified organic farms. The first organic cotton textiles brought to the market consisted of a limited range of 100% certified organic cotton products, which were sold in a small number of dedicated shops – usually natural and health food stores. They were primarily marketed for their ecological characteristics, rather than for their quality, design or fashionable appeal.

#### **2.1.1 Trends in the 1990s**

In late 1992, some environmentally motivated textile and clothing designers and companies launched the sale of more fashionable ecological textiles, later known as the ‘eco-look’ in fashion. Ecological textiles were now also for sale in fashionable shops such as Esprit and Hennes & Mauritz (H&M), in addition to the continuing sales in health food and natural textile shops. Products on offer tended to be either ‘ecru’ or dyed with soft ‘natural’ colours. Environmental awareness about fibre, textile and clothing production was created among consumers and in the industry. However, there was also confusion about the value of the different environmental claims found in the marketplace (e.g. ‘natural’ or ‘100% hand-picked cotton’<sup>11</sup>). The eco-look lasted till late 1994, when fashion turned towards the use of bright colours and synthetic fibres.

The design, quality and colour range of organic cotton items improved significantly in the second part of the 1990s. The range of yarns and fabrics available expanded, which widened the offer and the quality of the organic cotton textiles and clothing for sale. Supply of organic cotton fibre was in excess though, while overall demand stagnated. Several large United States-based companies involved in organic cotton usage at the time, such as Levi’s and the Gap, withdrew from organic cotton use.

Overall, global demand for organic cotton remained more or less stable up until 2000. Most demand came from Europe, particularly from Germany thanks to mail order companies such as OTTO and Hess Natur, and to a large number of small and medium-sized companies processing and selling ‘natural textiles’ including organic cotton items. In Switzerland, the supermarket chain Coop ensured a steady and increasing demand for organic cotton from 1995. By 2000, this example was being

---

<sup>11</sup> All cotton originates from vegetative production. Mechanical picking is generally limited to high-producing, capital-intensive production (e.g. United States, Australia).

followed by its main, larger, Swiss competitor Migros. Demand in the United States and the United Kingdom relied in this period primarily on mail order catalogues and also on early electronic commerce.

Mail order catalogues were (and are) also very important in Germany. Catalogues are a good medium to tell the 'organic cotton story' to geographically dispersed consumers in a small and newly emerging market. Around 2000, however, the German market for organic cotton textiles and clothing was in difficulties because of a mail order crisis, affecting companies such as Hess Natur (Germany), Köppel (Switzerland) and Waschbär (Germany). Many specialized natural textile shops had to close down. The decrease in consumer demand was probably related to issues concerning the design, quality and fit of the organic cotton items on offer. Design, fit, colour and price are all major elements of consumer choice for textiles and clothing. Environment and 'organics' are at best an additional positive feature.

### **2.1.2 Trends between 2000 and 2005**

By 2000, new strategies were required to increase organic cotton demand and subsequently production. In the United States, large companies operating internationally became increasingly concerned about the value of their brand and image, following public concern about social issues such as child labour and the working conditions in sweatshops. Some brands became aware that involvement in organics might help them to increase or restore their brand value and image.

They were not keen though on paying significantly more to farmers for certified organic cotton than for conventional cotton. Supplying large brands would also require fibre volumes which were enormous for the newly emerging organic cotton market. Furthermore, organic cotton actors (in the United States in particular) were aware that the provision of large volumes of fibre to only a few large companies would generate a high level of dependency and risk.

A solution was found in the development of so-called blending programmes, in which brands engage in the use of a small percentage of organic cotton fibre (for example starting with 3–5%) in their products. At the spinning mill, the organic cotton fibre is mixed into conventional cotton yarn or into other yarn types. Thanks to blending, the costs of using higher-priced organic cotton could be limited as a percentage of product value. Organic cotton usage per company was intended to gradually increase over time, along with supply.

This United States-developed model for growth in organic cotton usage proved successful for a number of brands. The sports brand Nike, in particular, gradually increased its organic cotton usage from 2000 on, making it the global leader in organic cotton fibre usage in 2005. Nike also succeeded, together with Patagonia, in interesting brands such as Timberland, Marks & Spencer and Nordstrom in conversion programmes using 5% organic cotton.

By 2006, many large and medium-sized textile and clothing companies had followed the example of Nike and others, and launched organic cotton conversion programmes. The organic cotton business network Organic Exchange has been instrumental in that process since its foundation in 2002. According to Organic Exchange, there are now



at least 35 companies running organic cotton conversion programmes, plus an additional 2,000 smaller brands and initiatives using organic cotton around the globe (Calahan Klein, 2006).

The demand for organic cotton is increasing rapidly, with 100% organic cotton items now showing up in regular fashion fairs such as Magic (United States), Première Vision (France) and the London Fashion Week (United Kingdom). Organic cotton textiles and clothing are now for sale at top locations in high-end fashion streets, in addition to other distribution channels such as supermarkets, natural and health food stores, specialized boutiques, mail order, and electronic commerce.

## 2.2 Organic cotton production

Reliable data about the production, trade and consumption of organic cotton are difficult to establish. Independent data from third-party certifiers are not available for reasons of commercial confidentiality. Differences between the declared and the real volumes of traded organic fibre can be significant.

The data presented in this chapter stem from a variety of sources, including documentary and Internet research, interviews and electronic contacts with about 130 actors in the organic cotton textile chain, attendance at trade fairs for cotton and textiles, and participation in the 2006 conference of the organic cotton business network Organic Exchange. The data presented are based on self-declarations and claims of projects and companies, and on additional 'best guesses' by the author.

Today, certified organic cotton is grown in 22 countries in the world (see table 1).<sup>12</sup> Total production of and trade in organic cotton fibre is estimated at 23,000 tons in 2006.<sup>13</sup> Earlier estimates in 2001 and 2004 amounted to 6,000–6,500 tons and 10,000 tons of fibre respectively (Ton, 2002; Ton, 2005). Production growth was an annual 70% over the period 2001–2006, and has reached 120% per year since 2004. Despite this spectacular growth, the volume of organic fibre traded on the international market still represents only 0.09% of the 24.8 million tons of cotton fibre traded worldwide.

Organic cotton production is concentrated in Turkey (10,000 tons of fibre; 43% of total production) and India (6,500 tons of fibre; 28%), where growth has recently also been most spectacular. Together they now produce more than 70% of the world organic cotton supply. Other relevant producers in terms of volume are China (1,750 tons; 8%) and the United States (1,500 tons; 7%). The African countries together accounted for about 1,800 tons of fibre in 2006, or 8% of total production, mainly in Uganda and the United Republic of Tanzania,<sup>14</sup> but also in Egypt and in French-speaking West Africa (Mali, Burkina Faso, Benin). Countries that recently started or restarted organic cotton production are Australia, Burkina Faso, Kenya, Kyrgyzstan, Nicaragua, Pakistan, South Africa and Zambia.

---

<sup>12</sup> Four countries are expected to join in 2006/07: Malawi, Mozambique, the Syrian Arab Republic and Viet Nam.

<sup>13</sup> The organic cotton business network Organic Exchange gives a much higher estimate of 31,000 tons (Ferrigno, 2006), while overestimating 2006 production in India and Africa.

<sup>14</sup> In 2006, production in Uganda and the United Republic of Tanzania suffered from severe drought, halving cotton fibre output. Some United States growers also had severe losses due to drought.

Figure 1. Organic cotton production and trade worldwide (in tons of fibre, 1992–2006)

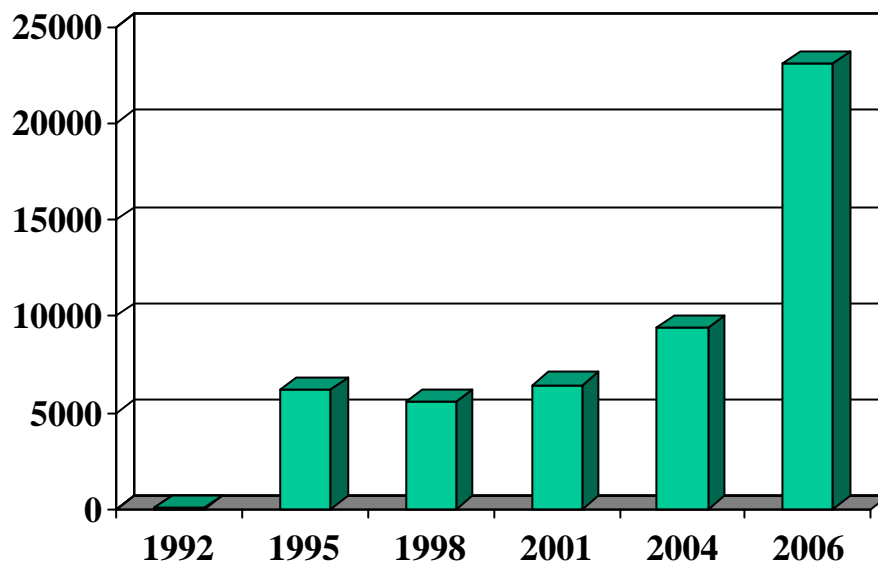


Figure 2. Organic cotton production and trade per production area (in tons of fibre, 2006).

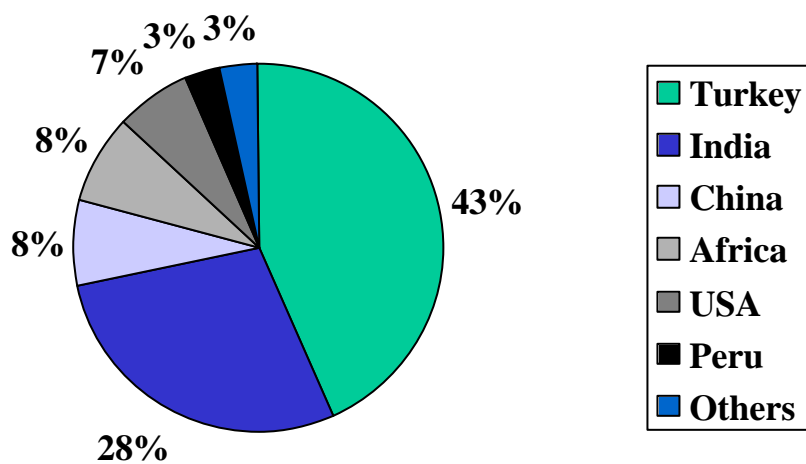




Table 1. Organic cotton production and trade worldwide (in tons of fibre; 1990-2006) <sup>15</sup>

Country	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2004	2006
Argentina	-	-	-	-	75	75	-	-	-	-	-	-	-
Australia	n/a	n/a	479	500	750	400	300	300	-	-	-	-	100
Brazil	-	-	-	2	8	1	1	1	3	12	18	20	8
Benin	-	-	-	-	-	-	2	4	15	19	30	80	47
Burkina Faso	-	-	-	-	-	-	-	-	-	-	-	-	61
China	-	-	-	-	-	-	-	-	-	-	-	1,787	1,750
Egypt	-	11	38	140	598	650	630	500	350	200	200	200	240
Greece	-	-	-	-	308	161	128	110	75	50	50	50	-
India	-	-	206	268	393	934	850	1,000	825	1,150	1,000	2,050	6,500
Israel	-	-	-	-	-	50	50	20	140	180	530	380	400
Kenya	-	-	-	-	-	-	-	5	5	7	-	-	6
Kyrgyzstan	-	-	-	-	-	-	-	-	-	-	-	-	60
Mali	-	-	-	-	-	-	-	-	-	-	-	34	160
Mozambique	-	-	-	-	-	90	75	50	-	-	-	-	-
Nicaragua	-	-	-	-	16	20	20	20	-	-	-	-	7
Pakistan	-	-	-	-	-	-	-	-	-	-	-	-	100
Paraguay	-	-	-	100	75	50	50	50	-	-	-	60	75
Peru	-	-	200	685	894	900	600	650	650	500	559	500	750
Senegal	-	-	-	-	-	2	11	14	54	122	208	20	20
South Africa	-	-	-	-	-	-	-	-	-	-	-	-	5
Tanzania, United Rep.	-	-	-	-	-	8	102	96	111	192	187	368	660
Turkey	5	60	120	198	610	720	850	1,000	1,200	2,000	1,750	2,000	10,000
Uganda	-	-	-	-	22	74	291	455	244	187	287	765	600
United States	n/a	n/a	977	1,938	2,433	3,367	1,540	1,293	1,956	2,916	1,624	1,100	1,500
Zambia	-	-	-	-	-	-	-	-	-	-	-	-	4
Zimbabwe	-	-	-	-	-	-	-	2	5	3	-	-	-
<b>Subtotal</b>	<b>5</b>	<b>71</b>	<b>2,020</b>	<b>3,831</b>	<b>6,182</b>	<b>7,502</b>	<b>5,500</b>	<b>5,569</b>	<b>5,633</b>	<b>7,538</b>	<b>6,443</b>	<b>9,414</b>	<b>23,053</b>

Source: Elaborated by author, based on a variety of sources.

<sup>15</sup> The data in this table relate to the volumes of fibre that are estimated to have been traded as 'certified organic' up to the level of spinning. Most country figures, particularly those for the largest producing countries, rely on estimates of varying quality.

It should be noted that more than half of the global production of organic cotton fibre is in the hands of two single organic cotton projects. The largest organic cotton producer in the world is Mavideniz in Eastern Turkey, with a claimed 8,000 tons of cotton fibre in 2006, thus accounting for 80% of Turkish production, and for 35% of global production. The second-largest organic cotton producer is Eco-Farms in Maharashtra, India, with a claimed 4,000 tons of cotton fibre in 2006. Eco-Farms plans to expand production to 6,000–7,000 tons of fibre in 2007.

This high concentration of production in two single projects points to the vulnerability of the supply of organic cotton fibre. The performance of these two projects in terms of quality, price, reliability of supply, control and certification, and transparency, may determine the future of the global organic cotton market in the short and medium term

### **2.3 Organic cotton consumption**

The number of large textile and clothing companies involved in eco-textile sales is steadily increasing as are the volumes they purchase. Today, there are around 20 companies using more than 100 tons of organic cotton fibre per year (see table 2). Two-thirds of these companies started selling organic cotton textiles and clothing only after 2002. New brands entering the market along with established brands are responsible for the growth of the international market for organic cotton fibre.

In 2005, the largest users of organic cotton fibre worldwide were the sportswear brand Nike and the supermarket chain Coop (Switzerland). Nike was the absolute leader in organic cotton fibre use thanks to its blending programme and to sales of 100% organic cotton items. Sales of the latter started in the United States, but most 100% items are now on offer in Europe. Nike claims to have used in 2005 a total of 4.3 million pounds of organic cotton, or 1,950 tons of fibre (Duffy, pers. comm., 21 October 2006). This is the equivalent of 4% of its cotton usage worldwide. Coop in Switzerland was second in 2005 with a claimed usage of 1,428 tons of fibre. Coop sells a wide range of organic cotton textiles and clothing in its supermarkets and department stores throughout Switzerland. More than 50% of Coop's annual cotton usage now consists of organic cotton (Coop, 2006). Well behind Nike and Coop comes the number three in terms of organic cotton usage in 2005: outdoor sportswear company Patagonia, with around 650 tons, which is 100% of its cotton usage.

The organic cotton market is very dynamic however. In late 2005, the world's largest retailer, Wal-Mart, announced its decision to expand the range of organic products it has for sale, including organic cotton items. Wal-Mart first launched the sale of organic clothing in 2005 through its United States subsidiary Sam's Club, which had great success in the sale of 100% organic yogawear. In May 2006, Wal-Mart supermarkets started to sell organic cotton babywear under the label George Baby Organic. The range of organic cotton textiles and clothing for sale will be expanded in 2007. In order to do this, Wal-Mart placed the largest order for organic cotton fibre ever in spring 2006: 10 million pounds, or about 4,500 tons of fibre. This is the equivalent of no less than 20% of the organic cotton fibre traded world wide.

Table 2. Consumption of organic cotton fibre by main textile and clothing companies (in kg of fibre, 1998–2006)

Company	Country	1998	1999	2000	2001	2004	2006
American Apparel	United States	-	-	-	-	n/a	100
Avanti Inc.	Japan	n/a	n/a	n/a	n/a	n/a	150
C&A	Netherlands	-	-	-	-	-	50
Coop-Italy	Italy	-	-	-	-	50	85
Coop-Schweiz	Switzerland	400	500	500	600	1,000	1,428
Cutter & Buck	United States	-	-	-	-	150	-
Hanna Andersson	Sweden	-	-	-	-	130	250
Hennes & Mauritz	Sweden	-	-	-	-	-	50
Hess Natur	Germany	250	280	300	175	200	250
Levi's	United States	150	175	-	-	-	150
Marks & Spencer	United Kingdom	-	-	-	-	40	100
Migros	Switzerland	-	-	-	50	100	500
Monoprix	France	-	-	-	-	50	163
Mountain Equip. Coop	Canada	-	-	-	-	100	100
Next	United Kingdom	-	-	-	-	-	50
Nike	United States	113	145	362	450	1,350	3,447
Nordstrom	United States	-	-	-	-	-	50
Of The Earth	United States	-	-	-	-	330	500
OTTO-Versand	Germany	50	150	523	533	290	300
Patagonia	United States	650	650	650	650	650	650
Sam's Club	United States	-	-	-	-	86	100
Switcher	Switzerland	-	-	-	-	n/a	150
Timberland	United States	-	-	-	-	76	103
Wal-Mart	United States	-	-	-	-	-	4,535
Whole Foods	United States	n/a	n/a	n/a	n/a	n/a	150
Woolworths	South Africa	-	-	-	-	50	100
<b>Total</b>		<b>1,613</b>	<b>1,900</b>	<b>2,335</b>	<b>2,458</b>	<b>4,602</b>	<b>13,411</b>

Source: Elaborated by author, based on a variety of sources including CSR and sustainability reports, brochures, website information, personal communication, and estimates by author.

## 2.4 Organic cotton: an issue of large brands ?

Up to 2000, the market for organic cotton and eco-textiles was shaped by a few committed and leading companies (Patagonia, OTTO, Coop, Nike, Hess Natur), together with a wide range of small and medium-sized textile and clothing companies. Since then many new brands and retailers have started an organic cotton blending or conversion programme. The number of small and medium-sized companies entering the organic cotton market has also expanded rapidly to a current estimated total of 2,000 (Calahan Klein, 2006).

Market share of the big brands and retailers had increased between 1998 and 2001 from about one-third of global organic cotton fibre volume to about one-half, under the influence of the organic cotton blending programmes (Ton, 2002). Today, the

estimated market share of large brands and retailers (some 25 in total)<sup>16</sup> has increased to 58%, taking into account the new Wal-Mart involvement. The organic cotton market thus relies increasingly upon usage by big brands and retailers.

## 2.5 Organic cotton processing

In the 1990s, retailers wishing to offer organic cotton items for sale to consumers were faced with a lack of infrastructure. Technical challenges were still many (for example the homogeneity of quality, and access to environment-friendly dyes), and markets for higher-value organic cotton items were limited. Production runs were small and production costs per unit high. Few industries were therefore ready to set aside workers' time and production capacity for the manufacturing of organic cotton textiles and clothing

The blending programmes mentioned have helped to overcome this situation. Large brands such as Nike and Marks & Spencer started to require their suppliers to blend some percentage of organic cotton into the product. The brands did not wish to pay any premium for the blends, however, expecting the mills to absorb the additional expenses in exchange for preferential treatment by the buyer. This push by some big brands motivated many spinning and weaving mills to inquire about organic cotton, to learn about the story behind organic cotton, and to try to ensure their access to organic cotton supply. Awareness-raising of the industry was (and is) an important output of the blending model. It created the foundations for future growth.

The growing demand for organic cotton, and the significant interest from new brands, makes it possible for industries today to operate larger production runs of organic cotton textiles than before, thus reducing the cost per unit. The infrastructure for organic cotton manufacturing, including 100% organic cotton items, is improving. Blending actually seems to be losing importance as a strategy. Many textile mills now consider it to be more interesting, technically and financially, to produce higher-priced 100% organic cotton items rather than blended 3–5% organic cotton items for which no higher price is being paid by the buyer.

There are many spinning mills and integrated textile mills involved in the production of organic cotton items today.<sup>17</sup> Most organic cotton spinning takes place in Turkey and in India, but there is also spinning in China, Indonesia, Mexico, Pakistan, Peru, Portugal, the Republic of Korea, Switzerland, Thailand and the United States. The largest organic cotton spinner in the world today is Sanko Textile in Turkey, which reportedly spins all estimated 8,000 tons of fibre from the Mavideniz project in Turkey. The second-largest spinner of organic cotton worldwide probably is Indorama, in Indonesia, which claimed to be using around 2,500 tons of fibre in 2006, or 10% of the global market. Speciality spinners are also involved in organic cotton spinning, as is for example the case of Hermann Bühler Yarns (Switzerland), which

---

<sup>16</sup> 'Large' here refers to an estimated organic cotton usage in 2006 of 100 tons of fibre or more, and to large textile and clothing companies that have started with organic cotton blending programmes or with trials of 100% organic cotton items.

<sup>17</sup> For a listing of actors involved in the production, processing and trade of organic cotton, see the Organic Cotton Sourcing Directory 2006 at [www.organicexchange.org](http://www.organicexchange.org) and PAN's International Organic Cotton Directory at [www.organiccottondirectory.net](http://www.organiccottondirectory.net).

specializes in very fine yarn counts, and Güçbirligi Tekstil (Turkey), spinning yarn from naturally coloured cottons.

In the other stages of the textile chain (e.g. knitting/weaving, dyeing, mercerizing and confection) the infrastructure for separate processing and handling of organic cotton products is also expanding. Most companies entering into organic cotton usage started (and still start today) selling knitted shirts, dyed and/or printed, the production of which does not require high minimum volumes. Woven organic cotton items are not yet very common in the marketplace. Minimum quantities in weaving are much higher than for knitting, thus increasing financial risk.

Up until 2005 it was very difficult for consumers to find products such as jeans made of organic denim. Denim mills require huge minimum volumes to run. Today, however, there are a growing number of suppliers of organic cotton denim fabrics for jeans, including Cone Denim (United States), Hellenic Fabrics (Greece), Ital Denim (Italy), Isko (Turkey), Orta Anadolu (Turkey) and Tavex (Spain). The infrastructure of the organic cotton market is strengthening and expanding, and as a result a wider range of fashionable products is becoming available to end-consumers.

## **2.6 Retail of organic cotton items**

The retail of organic cotton textiles and clothing is increasingly conforming to regular textile and clothing sales. Thanks to the involvement of the large brands and retailers, the number of points of sale is expanding rapidly, thus literally bringing organic cotton items to consumers. Consumers no longer have to go to unique specialized stores and boutiques, changing their purchasing habits in order to access the items.

Organic cotton items can now be found for sale in top locations such as high-street fashion shops as well as in supermarkets, for example:

- The Celio, Levi's and Quiksilver stores in Forum les Halles in Paris (France);
- The Sportarena department store in downtown Frankfurt (Germany);
- The Bijenkorf department store on Dam Square in Amsterdam (Netherlands);
- The Topshop department store in Oxford Street in London (United Kingdom);
- Nordstrom's department store in the Fashion Show Mall in Las Vegas (United States);
- Timberland's Outlet Store in Potomac Mills in Washington DC (United States);
- Supermarkets including Coop (Italy), Coop (Switzerland), Migros (Switzerland), Monoprix (France) and Wal-Mart (United States);
- Natural and health food supermarkets including AlNatura Biomarkt (Germany), Biocoop (France), Natuurwinkel (Netherlands) and Whole Foods Market (United States).

Organic cotton items are also for sale today in stores outside Europe and the United States, for example in Australia, Brazil, Egypt, Japan, Mexico, the Republic of Korea and South Africa. Points of sale in organic cotton producing countries are still few, except for the United States.



Choice in organic cotton items is still fairly limited. Most retailers offer only a few labels and a few products, in very few styles, colours and fits. In fact, there is tremendous room for growth if current sales of organic cotton items are found to be economically attractive by brands and retailers. The infrastructure is there at retail level to rapidly expand the sale of organic cotton items.

Mail order remains an important sale channel for organic cotton textiles and clothing, as geographically dispersed consumers can be reached at low cost, and can be informed about the backgrounds of organic cotton production and processing. The importance of mail order sales in overall sales may have gone down relatively over recent years. In Germany, there has been a reduction in usage by the organic cotton market leader OTTO, which is also the leading European mail order company in textiles and clothing. Number two Hess Natur, however, has recovered from its 2000 sales crisis, and Greenpeace-Germany, which then quit, is now back in the market. In France, mail order has gained importance through companies such as Somewhere/La Redoute, Vertbaudet, Le Camif and Fibris. In the United Kingdom and the United States mail order is also of importance, with suppliers such as Gaiam (United States), Greenfibres (United Kingdom) and many smaller ones.

## **2.7 Pricing and positioning**

Economies of scale, increased efficiency in the organic cotton textile chain, and the pricing policies of individual companies, have made 100% organic cotton items much more accessible to consumers than before, when they were often sold as high-priced, exclusive items. Organic cotton items are now also available in medium and lower price segments of the market, making them more accessible to the average consumer. Overall, organic cotton items have become less expensive, even if the price often still is significantly higher than for comparable conventional items.

The pricing and positioning of organic (and conventional) items depends, among other things, on a company's sale strategies. Companies have different options available. They may, for example, decide to position organic cotton as a luxury item, targeting fashion-oriented consumers who are looking for exclusivity and who are less responsive to price. This was for example the case with EDUN's launch in 2005 of the sale of exceptionally high-priced organic cotton trousers (up to USD 250 per piece) and printed shirts (up to USD 100 per piece). Pricing of organic cotton items may also be deliberately higher in order to obtain a higher profit margin on this new and exclusive product. However, companies may equally well decide to temporarily support the sale of organic items, for example offering them at conventional prices (i.e. at a lower profit margin), in order to gain market share or to create a market where none exists. Coop Switzerland, for example, deliberately subsidized its organic cotton sales for many years in order to create a market. Another option is of course for companies to price organic items realistically, incorporating in the price of the organic items only the actual additional costs of organic cotton fibre compared to conventional cotton.

Consumers now also find items in the market that contain only some percentage of organic cotton, as is for example the case in the United States of Nordstrom's 5% organic/95% conventional cotton shirts for men. Blended items tend to be sold at

conventional prices. No publicity is made to consumers about the blending unless on the product label inside the item or on a hang-tag.

## 2.8 'Fair' pricing

Organic cotton fibre itself is more expensive than conventional cotton fibre, because of higher production costs and often also lower yields.<sup>18</sup> However, this does not necessarily have to translate into a much higher price of the end-product as long as the percentage of fibre price in the total product value is limited.

Overall, it is estimated that the value of a clothing item is about 25–30 times the value of the fibre that is contained in it. A mark-up of around 30–50% on the price of organic cotton fibre (i.e. on 3–4% of total value) would then translate in a 1–2% mark-up on the final clothing product, or EUR 0.25–0.60 on a standard-priced shirt of EUR 25–30. If the product is sufficiently fashionable, having an attractive design, colour and fit, end-consumers will normally not care about such a price difference.

However, in practice we see that the mark-up on prices of organic cotton items is much higher. Depending on the item, retailer, sales channel and so on, retail mark-ups are generally about 20–40%, but occasionally 100% or more. The higher sales price is usually explained by the additional costs relating to smaller scale, separate handling and additional labelling, and by overhead costs.

---

<sup>18</sup> Scarcity is sometimes cited as an additional feature.

### 3. Geographical markets and large brands

This chapter is about the geographical markets for organic cotton textiles and clothing. The involvement of many of the large brands involved in the usage of organic cotton fibre is presented below. An overview of organic cotton consumption per region is in 3.1. In 3.2 the role and position of large international brands, which sell throughout the world, are examined. The main developments in the five largest organic cotton consuming countries in the world are presented next: the United States (3.3), Switzerland (3.4), Germany (3.5), the United Kingdom (3.6) and France (3.7). Boxes containing information about 11 large brands and retailers involved in organic cotton use are found throughout this chapter.<sup>19</sup>

#### 3.1 Geographical markets

The United States is the biggest market for organic cotton and eco-textiles. Current organic cotton consumption in the form of apparel end-products in the United States is roughly estimated at 9,500 tons (41% of the world total) against 7,000 tons in Europe (30% of total).<sup>20</sup> Japan is estimated to consume the equivalent of about 350 tons of organic cotton per year. Other markets exist in the rest of Asia, in Australia, in Canada, in Egypt and Israel, and in South Africa.

In Europe, organic cotton usage is highest in Switzerland (about 2,250 tons), followed by Germany (1,500 tons), the United Kingdom (about 750 tons), France (600 tons), Sweden (350 tons), Italy (250 tons) and the Netherlands (100 tons). Smaller markets exist in other European countries including Austria, Belgium, Denmark, Greece, Finland, Ireland, Latvia, Norway, Portugal and Spain.

#### 3.2 Large international brands

The importance of large brands and retailers in the use of organic cotton fibre is increasing steadily. An estimated 58% of organic cotton fibre worldwide is taken up by just 25 brands and companies (see 2.4). Some of these brands sell their organic cotton items throughout the world.<sup>21</sup>

The biggest user of organic cotton fibre until now, United States-based Nike, is one of the brands selling internationally. The focus of Nike's original blending and conversion programmes was first on the United States. Today, the organic cotton programme relies more on the company's Europe, Middle East and Africa division, based in the Netherlands.

---

<sup>19</sup> Most information presented in the boxes is corporate information, including personal communication by the author with company representatives.

<sup>20</sup> These figures take into account the fact that many United States-based textile and clothing companies involved, including Levi's, Nike and Timberland, sell a significant part of their production internationally.

<sup>21</sup> Wal-Mart is the largest organic cotton fibre user in the world today. Its organic cotton items are so far only for sale in the United States. Expansion to other countries and regions may occur if United States sales are successful.

**Box 1. Nike: leading the way in organic cotton usage**

The sale and global retail distribution of Nike's organic cotton products is very broad. Its items made of, or blended with, organic cotton are sold into the same retail sales channels as its conventional cotton items, essentially in every region and country where Nike sells cotton apparel products. Nike offers a comparable range of items in blended organic, 100% organic and conventional cotton products.

In 1996, as Nike was becoming aware of the positive environmental benefits of growing organic cotton, the company undertook an extensive study of its cotton usage. The result was a proposal to begin blending organic cotton into Nike apparel with an initial purchase of more than 100 tons of certified organic cotton (250,000 pounds) in 1997 for the autumn 1998 season. This marked the debut of Nike's blending programme, which featured cotton containing 3% organic fibre. Nike is now in the ninth year of its blending programme, continuing to blend small amounts of organic cotton (typically 5%) with conventional cotton into an increasing number of apparel products.

In autumn 2002, Nike introduced items that contained 100% organic cotton, sold under the name Nike Organics. The collection is offered across gender and product lines such as White Label, Sports Culture, and ACG/Outdoor. Nike Organics has grown globally from 6 products in autumn 2002 to 92 products in autumn 2006. The overall number of items of 100% organic cotton has grown from 10,000 to just over 3.6 million units.

The percentage of Nike cotton garments containing organic fibres has increased at a steady pace, as has Nike's overall use of organic cotton. Nike Apparel uses an estimated 52,000 tons of cotton fibre per year (115 million pounds). In 2005, roughly 4% of Nike's global cotton use was organic, representing 1,950 tons of fibre. For 2006 this figure was expected to increase significantly to roughly 6% of the cotton used, or almost 3,500 tons (7.6 million pounds). In 2006, an estimated 64% of all Nike's cotton-based apparel will contain some organic cotton (compared with 47% in 2005).

Nike's goal is to blend a minimum of 5% organic cotton into all of its cotton-containing materials by 2010, while steadily expanding the offering of products made of 100% certified organically grown cotton. Nike sources organic cotton fibre primarily from sources in the United States, India, Turkey and China. Certification documentation for the cotton purchased for Nike's blended organic programmes goes only as far as bale shipments to the yarn spinner.

Challenges Nike is facing include the availability of organic cotton fibre in the locations where the company sources its materials and products, as well as competitive pricing. Nike works closely with its supply chain partners on planning. The latter actually purchase the fibre, yarn and materials needed to produce organic cotton products for Nike.

*Source:* Nike statement (20 October 2006).

Nike's own estimates for 2007 are that Europe, the Middle East and Africa will sell 84% of all Nike's 100% organic cotton items, and the United States just 3% of the total. For the organic cotton blending programme (blends of 5% or more organic cotton), the United States accounts for 37% of units sold, against 44% for Europe, the Middle East and Africa. This difference in orientation of organic cotton use across geographical markets is likely to be related to the availability and price of organic cotton fibre, yarn and fabrics in the United States and the Europe, Middle East and Africa region.

Outdoor wear company Patagonia is now the fourth-largest user of organic cotton fibre worldwide, with an annual consumption of about 650 tons. Patagonia sells its products in the United States, in Europe and in Asia. The organic cotton it uses comes primarily from the United States and from Turkey.

**Box 2. Patagonia: the fore-runner in organic cotton conversion**

Patagonia is an atypical clothing retailer, based in Ventura, California, and breathing the culture of progressive environmentalism of the United States West Coast. Sales are mainly in the United States and in Europe. Patagonia sells outdoor wear which is made to resist exceptionally tough weather conditions when climbing, rafting, skiing, hiking, etc. Usually this involves sophisticated synthetic fibres. Cotton use is limited to a minor percentage of overall fibre use – only an estimated 20% of total.

As long ago as 1994, after a detailed environmental audit, Patagonia decided to commit to the use of organic cotton. The company staff, who had become aware of all the issues related to pesticide use in United States cotton production, particularly in Patagonia's home of California, concluded that Patagonia should either use 100% organic cotton or carry no cotton items at all. This decision increased the cost of Patagonia's fabric by three to four times. The entire cotton line also had to be reduced, from 91 to 66 styles. Costs of setting up the organic cotton programme were high, while there was still little infrastructure for organic cotton to rely on.

Patagonia developed its own supply chain for organic cotton sourcing. Patagonia has also been a leader in the use of recycled fibres, and a forerunner in the fight against genetically modified organisms in the United States. After converting to 100% organic cotton use, Patagonia has remained very active in informing and inspiring other companies to do the same. It is one of the founding members of the organic cotton business network Organic Exchange.

Patagonia is dedicated to societal change. It is one of the drivers of the initiative 'One Percent for the Planet', in which companies set aside 1% of annual profits for donations to non-governmental organizations (NGOs) and societal groups that are in the forefront of nature conservation and awareness-raising about environment and health, including organizations promoting organic cotton such as the Pesticide Action Network (PAN).

*Source:* Yvon Chouinard's statement in Timberland's CSR report (2005)

**Box 3. Levi's: engineered organic jeans**

Levi's announced in July 2006 that it would include jeans made with 100% organic cotton in its product line. Organic cotton is used in selected new men's and women's styles within its Red Tab and recently launched Levi's Capital E lines. The jeans, identified as Levi's Eco, are available from November 2006 at Levi's United States stores, with additional products to be introduced in spring 2007.

The United States introduction of its organic line is part of a global launch of Levi's products made with 100% organic cotton. In Europe, Levi's offers certified organic denim versions of its most popular styles (Levi's 506 Standard Fit Jean for men and Levi's 570 Straight Fit Jean for women) in selected stores. Additional styles made from 100%, or a significant percentage of, organic cotton will be introduced in both regions in 2007.

Levi's jeans made out of organic cotton are available in a range of popular fits and finishes and marked with a few subtle identifiers. The Levi's Capital E lines include the use of recycled buttons, rivets and zippers, and natural indigo to dye some styles of jeans. All external packaging is made from organic fabric or recycled paper and printed with soy-based ink.

*Source:* Levi's statement on its website (5 July 2006).

**Box 4. Hennes & Mauritz: timid integration of organic cotton**

Hennes & Mauritz (H&M) is a rapidly growing and expanding company offering fashionable textiles and clothing in over 1,200 stores in 22 countries around the world. Turnover in 2005 was EUR 7.8 billion (USD 9.4 billion<sup>22</sup>). H&M's retail prices are in the middle range. Collections change very fast: about each six to eight weeks. This is an important element explaining its retail success over the last decade. However, frequent changes of collections and suppliers are an impediment to establishing a longer-term organic cotton conversion programme. H&M sources from about 700 suppliers, which in turn use subcontractors. In all, around 2,000 production units and more than 700,000 people are involved in the manufacture of H&M products, many in Asia.

H&M built itself a profile on concern about cotton and the environment in the early 1990s, when it helped to shape the eco-look in fashion. At the time, H&M sold clothing made with 'hand picked cotton' – which turned out to be not very spectacular once it was realized that most cotton from places outside the United States and Australia was hand-picked. In fact, H&M then was an example of how little textile and clothing companies (and consumers and NGOs) actually knew about cotton production and farming conditions. Much has changed since. Today, H&M is

---

<sup>22</sup> The euro was exchanged at USD 1.20 in December 2005 and USD 1.30 in December 2006.

informed and eager to express its policies in annual CSR reports, providing a range of company data and indicators about its social and environmental performance.

H&M's involvement in organic cotton is still timid. In 2004, H&M started a trial with 5% organic cotton in certain babies' and children's garments from Turkey. Volume increased to 50 tons of fibre in 2005. This is still very little given the size of the company. 'We are in the early stages of working with organic cotton and we want to increase the volumes. Products were unlabelled. We just wanted to secure a volume from a CSR perspective and we have not yet marketed this to our customers other than in our CSR report', says H&M's Henrik Lampa.

H&M's organic cotton programme currently consists in a blending programme using 5% organic cotton yarns. One of the T-shirts in its November 2005 'Stella McCartney for H&M' collection was made of 100% organically grown cotton; an initiative of the designer, however, not of H&M. H&M is a sponsor of the Organic Exchange, and participates in the WWF-led Better Cotton Initiative (BCI).

H&M also holds a licence to use the EU Flower eco-label for textiles. The Flower stands for restriction of hazardous substances and reduced water pollution throughout the production chain, from the raw cotton to the finished product, and for the garments' ability to keep their shape and colour. In 2005, the EU Flower figured on approximately 75,000 basic garments in the baby range. H&M expected to expand the range of eco-labelled clothing for newborns in 2006.

*Source:* H&M Environmental Report 2005, plus statement (18 October 2006).

### **3.3 United States of America**

The consumption of organic products in the United States has been increasing for many years, and was strengthened by the introduction in 2002 of the National Organic Programme (NOP) administered by the United States Department of Agriculture (USDA). The growth rate of the organic food sector was 18% per year on average since 1997, while the conventional market grew by only 3%. The organic market share thus tripled to 2.5% of total in 2005 (OTA, 2006).

In 2005, organic turnover amounted to USD 14.6 billion (EUR 12.2 billion). Sales of organic food products grew by 17%. Turnover of non-food products including textiles and clothing, cosmetics, flowers and animal feed, increased by 33% to USD 774 million (OTA, 2006). Consumption of organic products is largest in the north-east around New York and Washington, and on the West Coast in California. However, sales are increasing throughout the United States now that organic products are being included in the regular offer of shops and supermarkets.

Total United States organic cotton consumption is approximately 9,500 tons of fibre, or 40% of global production and trade. Wal-Mart is the leader in organic cotton usage in the United States and in the world today. In 2006, it bought an unprecedented 10,000 pounds of cotton fibre (4,500 tons) at once. A wide range of organic cotton items is currently being manufactured, and will be available for sale in 2007.

Wal-Mart started sales of organic cotton items in 2005 through its subsidiary Sam's Club (yogawear). In 2006 it launched sales in Wal-Mart supermarkets of babywear under the label 'George Baby Organic'.

Up until 2003, sale of organic cotton items in the United States relied predominantly on electronic commerce, mail order catalogues, natural and health food stores, and small specialized eco-textile shops or boutiques. Today, however, regular shops and supermarkets also have organic cotton items for sale, including the department stores of Nordstrom, the brand stores of American Apparel, Levi's, Nike and Timberland, Wal-Mart supermarkets, and the natural food giant Whole Foods. Electronic commerce and mail order purchases remain important though. They are also more common for United States consumers than for Europeans.

**Box 5. Wal-Mart: revolutionizing the organic cotton market**

In late 2005, the world's largest retailer surprised the organic world with its decision to put a whole range of new organic products on the shelves. Wal-Mart did not plan to do so through an own label, as is often the case in other supermarkets, but rather asked its suppliers to create organic product lines. Wal-Mart now sells organic products in over 300 of its 2,000 stores. The impact of the Wal-Mart strategy is felt inside and outside the United States. Many suppliers, including large brands, now look at health and 'wellness' as part of their strategic policies. The Wal-Mart decision also incites competing supermarkets in the United States to source and sell organic produce.

According to *FashionUnited* (13 March 2006), Wal-Mart already has a market share of 40–50% of basic garment turnover in the United States, but wants to expand and increase product quality. A representative was cited in the magazine *Women's Wear Daily* as saying that Wal-Mart wants to use more higher-value materials like silk and cashmere. Wal-Mart clients are developing a more refined taste, and demand for organic products is on the rise. In June 2006, Wal-Mart introduced an organic cotton babywear collection under its own label George. The organic cotton offering will be extended to all kinds of textiles and clothing. Wal-Mart's new marketing campaign, 'Beyond the Basics', encourages selective and sceptical customers to buy higher-value products.

Wal-Mart's interest in organic textiles and clothing was triggered by the successful launch of its 100% organic cotton yogawear line in 290 stores of its subsidiary Sam's Club in 2005. The 190,000 outfits sold out in just 10 weeks (French, 2006). Wal-Mart then sent its buyers to visit organic cotton producers in Texas, California and Turkey. In 2006, it placed a single order for 10 million pounds (over 4,500 tons) of organic cotton fibre. Wal-Mart's organic cotton usage is planned to increase from some 3,500 tons (7.7 million pounds) in 2007 to 8,000 tons in 2008 (17.6 million pounds), and 17,600 tons (38.9 million pounds) in 2009.<sup>23</sup> Wal-Mart reportedly committed to a five year purchase guarantee to the projects involved, in order to increase the production of organic cotton. All Wal-Mart's organic textiles and clothing for sale should come to meet the new Global Organic Textile Standards (GOTS).

<sup>23</sup> According to a 2006 brochure of textile processor ECLAT Ltd. (China).



In the early stages of the United States eco-textile market, organic cotton items tended to be made primarily with United States-grown cottons. However, strategies for cost reduction and increased economic efficiency now lead United States companies to increasingly source their organic cotton elsewhere – mostly in Turkey, but also in China, India and Pakistan. United States cotton is relatively expensive, as is local textile processing, which has experienced a significant decrease since 2000. The larger companies are accustomed to sourcing their cotton, yarns, fabrics and garments in lower-wage countries. Many also work with decentralized purchasing and sales, which favours sourcing organic cotton outside the United States.

An exception to the trend of textile industry relocation is the brand American Apparel, which uses United States cottons to process ‘sweatshop-free’ 100% United States-made T-shirts in downtown Los Angeles. The company’s turnover has increased 50% per year since 2002, to USD 210 million in 2005. American Apparel has used organic cotton fibre for the unbleached and undyed Sustainable Edition collection since 2003, but usage is still small. American Apparel sells its products through department stores and regular shops, and runs own-brand stores. Recently, sales were expanded to Europe with the opening of shops in Amsterdam, London and Frankfurt, among others.

**Box 6. Timberland: organic cotton conversion delayed**

Timberland has developed since the 1970s from a leather-boot-selling United States company into an international brand selling a range of clothing and footwear all over the world. Timberland sells two-thirds of its products in the United States, mostly in the eastern states.

Timberland’s involvement in organic cotton dates from 2003, when it started to blend organic cotton fibre into its products. Since then, 50,000 T-shirts used for promotional events have been made from 100% organic cotton. Timberland also introduced a line of 100% organic cotton products. In 2005, the goal was to convert 5% of its cotton usage (540,000 pounds or almost 250 tons) to organic cotton, but this was not accomplished. Usage was only 100 tons (227,000 pounds), or 2.1% of total cotton supply, but still represented a 36% increase in overall organic cotton use.

Timberland’s Cotton Club, which is an internal team of merchandizing, apparel design, environmental stewardship, and marketing employees, made the following work plan in order to reach its 5% organic cotton commitment in 2006:

- A) Blend organic cotton into all of our organic apparel. This does not affect the price point of products.*
- B) Establish hang-tags and point-of-purchase communication for organic cotton apparel to consumers about the benefits of organic cotton.*
- C) Develop educational materials to train retail store associates on the benefits of organic cotton.*
- D) Analyse additional opportunities for sale of organic merchandise, apart from sale in the company’s own retail stores.*

*Source:* Timberland CSR report (2005).

### 3.4 Switzerland

In Europe, Germany has long been considered to be the largest market for organic cotton textiles. Today, however, Switzerland is the largest European user of organic cotton fibre, thanks to the involvement of the two main supermarket chains Coop and Migros, which offer 100% organic cotton items for sale. T-shirt producer Switcher is the third-largest retailer involved in the Swiss organic cotton market, selling items through its own stores as well as through supermarkets and department stores.

Total organic cotton usage in Switzerland is estimated at 2,250 tons of fibre, of which Coop carries 1,428 tons (63%), Migros about 500 tons (22%) and Switcher 150 tons (7%). According to the NGO Helvetas, which actively promotes organic cotton, the Swiss Government has agreed to aim for 5% of Swiss cotton fibre use to be organic in 2007; the equivalent of about 2,700 tons of fibre. One way to reach this goal is through 'green public' purchasing. The police of Zürich, for example, recently committed to purchasing uniforms made of organic cotton.

#### **Box 7. Coop-Switzerland: long term commitment to organic cotton**

Coop is the second-largest retailer in Switzerland after Migros, with over 1,400 points of sale, about 45,000 employees, and 2 million cooperative members out of a total population of 7.3 million. Turnover was more than EUR 9 billion (CHF 15 billion) in 2005, of which EUR 32 million (CHF 51 million) was in organic cotton items.

Coop is the market leader in Switzerland in environment-friendly and fair trade products, sold under its own brands: Naturaplan (organic food), Oeko-plan (environment-friendly goods) and Naturaline (organic cotton textiles and clothing, plus natural cosmetics); and the Max Havelaar brand (fair trade products). In the organic food market, Coop Naturaplan has a market share of 50%. The Swiss organic market has grown 18% on average a year since 1995.

Coop is the main client of the Swiss trader Remei, a former trader of conventional yarns which has now become a trader of organic cotton yarns, fabrics and garments. Its organic cotton sells under the label bioRe, from which Coop-Switzerland took the equivalent of 1,428 tons of fibre in 2005. Coop buys a little over half of bioRe's organic cotton. Coop has partnered with Remei in organic cotton since 1993, particularly in the Maikaal project in Madhya Pradesh, India.

Coop sells organic cotton textiles and clothing in its supermarkets and through Coop City department stores. After 10 years of developing the Coop Naturaline collection, the organic cotton product range consists of more than 600 styles, including womenswear, menswear, babywear, nightwear, underwear, textiles for cosmetics, home textiles and bedding in many different colours; a total of over 5,300 articles. The turnover of Coop Naturaline, which also includes fair trade and personal care articles made from natural raw materials, increased in 2005 by 17% to EUR 32 million (CHF 51 million francs). Coop then was the world's largest supplier of organic and fair trade cotton-based textiles, selling around 3 million items.

*Source:* Coop Annual Report 2005, and Peter Tschannen (September 2006).

**Box 8. Migros: focus on the ecology of textile processing**

Migros is the largest retailer in Switzerland. It has an 18% share of the Swiss retail market, and 25% in the food sector. Like Coop, Migros is owned by almost 2 million cooperative members. Turnover of the Migros Group was EUR 13 billion in 2005 (CHF 20 billion), of which EUR 219 million (CHF 342 million) was in ecologically improved textiles and clothing under the label 'Eco', and EUR 7 million (CHF 11 million) in organic cotton textiles and clothing under the label 'Bio cotton'.

Migros's focus in textiles and clothing is on the social conditions for workers in the textile industry, and on ecological improvement throughout the production chain. More than 70% of all clothing and home textiles sold by Migros stems from ecological production, which is controlled by third parties. Migros committed in 2001 to supporting the organic cotton project of the Swiss NGO Helvetas in Mali, which today produces organic fair trade cotton. Migros claims an organic cotton usage in 2005 equivalent to 500 tonnes of fibre. Most of its cotton came from Turkey and India; only 40 tons originated from Mali.

Turnover of the 'Bio cotton' line increased 75% in 2005. The product range consists of about 160 articles, including home textiles, babywear, childrenswear, nightwear, underwear and socks. Products are labelled when 80–100% of the product consists of organic cotton. All organic cotton products must be processed according to Migros's ecological criteria for the textile supply chain. Migros also sells fair trade cotton wool, pads and sticks for cosmetics under the Max Havelaar label.

*Source:* Migros Sustainability Report 2005 and statement (11 October 2006).

**Box 9. Switcher: transparent T-shirts**

Switcher is a leading textile and clothing producer for the Swiss market. Turnover is around EUR 60 million. Switcher sells about 7 million units per year, through a network of 400 points of sale. Its product range includes T-shirts, sweatshirts, sportswear and outdoor wear, polo shirts, pullovers, shirts, jackets, trousers, childrenswear and accessories. Processing takes place in China, India, Portugal and Tunisia.

Switcher is the main business partner of the organic fair trade cotton project in Mali, buying some 110 tons of fibre in 2006 (two-thirds of the harvest). The company also committed to buying 40 tons from a new organic fair trade cotton project in Burkina Faso. Processing and confection takes place at its daughter company PREM in India.

Switcher recently launched a new track and trace system for its products under the label Product DNA. Products carrying a special code, the product DNA, can be tracked back on a website called Respect Inside ([www.respect-inside.org](http://www.respect-inside.org)), which

provides information about the various stages of their production (fibre production, spinning, knitting, dyeing, confection, transport and distribution).<sup>24</sup>

*Source:* *L'Evènement Syndical* (21 June 2006), *Les Echos* (4 October 2006), and company statement (18 October 2006).

Switzerland is the second largest market for fair trade products in Europe after the United Kingdom (Krier, 2006). Max Havelaar food products are carried by Migros and Coop under special labels. Max Havelaar Switzerland has been a pioneer in the launch of fair trade cotton, next to Max Havelaar France (see below). Fair trade cotton textiles and clothing currently for sale include T-shirts, babywear, towels, bathrobes and cotton wool products. These are available at Migros supermarkets, Manor department stores, the Switcher points of sale, the mail order companies La Redoute and Lehner Versand, and at retailers of home textiles.

### 3.5 Germany

Germany is the largest market for organic products in Europe, and also has the highest population in Europe (82 million). Environmental awareness is high in many layers of society.

German companies have been at the forefront of the development of the market for ecological textiles. Demand for *Naturtextilien* (natural textiles) was fuelled in the early 1990s by concerns about skin allergies caused by textile dyes and clothing accessories, and by a strong movement of 'green' consumers. Also, the major German textile and clothing industries were interested in converting their production to higher-value items, such as organic items, in order to cope with the competition from low-wage countries in the production of textiles and clothing.

Consumption of organic cotton in Germany was estimated to be the equivalent of about 1,500 tons of fibre in 2006. Eco-textile sales in Germany have always been dominated by mail order companies. Specialist Hess Natur was the largest eco-textile selling mail order company up to 2000 when the much larger OTTO took over. Other mail order companies selling organic cotton textiles and clothing in the German market include Greenpeace-Germany, Hans Natur, Maas Natur and Waschbär. The large German mail order company Neckermann, which has owned Hess Natur since 2001, recently launched its first sales of organic cotton textiles (bioRe 96% organic cotton bed linen). Neckermann is part of the Karstadt/Quelle group.

Organic cotton items are also for sale in Germany in specialized natural and health food stores, including the large AlNatura Super Natur markets. These sell a wide collection of 100% organic cotton Cotton People Organic babywear which is produced in Egypt, and some hygienic products for daily use (Bo Weevil 100% organic cotton wool, Natracare 100% organic cotton tampons).

---

<sup>24</sup> A search for 'organic' on the website also shows polo shirts made with 12.5% organic cotton from India (AgroCel); in addition to the 100% organic cotton T-shirts from Mali.

The sale of organic cotton items by high-street retailers is increasing rapidly in Germany. In August 2006, for example, the author encountered organic cotton items for sale in downtown Frankfurt in the department store Sportarena (Nike's 100% organic cotton shirts), the Timberland brand store (15%, 6% and 5% blended items), the Grüne Erde natural store (100% organic cotton home textiles and bed wear, including brown and green naturally coloured cottons), and the new American Apparel store (100% organic cotton T-shirts). The Dutch company C&A, which is an important actor in the German market, plans to follow this organic trend by blending 1% organic cotton into its cotton products by 2008.

Germany has a significant number of small and medium-sized eco-textile processing companies, many of which gather twice a year at InNaTex, the international trade fair for ecological textiles. About 200–250 companies exhibit at InNaTex, most of them German. They sell organic cotton items, but also many other products made out of silk, wool, linen and bamboo. Most visitors are representatives of small and medium-sized natural textile shops.

**Box 10. OTTO: major mail order involvement**

OTTO is the largest mail order company selling textiles and clothing in Europe. Its turnover was more than EUR 14 billion in 2004/05. Michael Otto Stiftung supports NGOs such as WWF.

OTTO has been very active in ecological optimization of its textile and clothing chain, particularly regarding chemical residues. Today, 97% of OTTO's textiles and clothing conform to the Oeko-Tex standards for textile processing, up from 45% in 1998. They are sold under the own label *Hautfreundlich* (skin friendly).

Since 2003, OTTO has offered products made of organic cotton under its Pure Wear line. The Pure Wear collection consists of about 200 items of 100% organic cotton for women, babies and children (T-shirts, sweatshirts, nightwear), plus home textiles (bathrobes). Together they account for about 1–2% of products sold. Communication includes customer brochures for awareness-raising. The OTTO Group companies Apart and Witt Weiden also offer Pure Wear textiles for sale.

Up to 2004, OTTO's aim was to bring its organic cotton usage to 1,000 tons. However, this goal has not been met. Usage was actually substantially reduced in 2004/05 to 290 tons, compared to 500–600 tons in previous years. Reasons underlying this reduction include processing issues (quality problems, restructuring of partners) and lower than expected sales of Pure Wear items. No figure has been released yet for 2005/06 organic cotton usage.

A search for 'Pure Wear' on the OTTO website yields 62 organic cotton textile items, under the labels Cotton Republic (bathrobes), So Bin Ich (jeans, shirts), H.I.S. (bathwear), Classic (T-shirts), Melrose (polo shirts), Boysen's (polo shirts), KangaROOS (95% organic cotton stretch tops), Apart (95% organic cotton dresses), Flashlights (jogging wear) and Pink Point (shirts). A search for '*biologische Baumwolle*' ('organic cotton') yields seven additional hits for the label Hipp/Sigikid (toys).

OTTO says it wants to extend its organic cotton usage over the next few years, through an increase in the offer of 100% organic cotton items and of 5% blended items (which will not be labelled as organic). However, since 2004 OTTO's focus seems to have switched to its newly developed initiative Cotton Made in Africa, which aims for an improvement of general cotton production conditions in Africa. The project started in 2006 in Benin, Burkina Faso and Zambia. The Cotton Made in Africa cotton will not be organic, and no price premium will be paid to producers.

*Source:* OTTO's *Facts & Figures* 2004/05, plus statement (19 October 2006).

### **3.6 United Kingdom**

The United Kingdom is one of the fastest-growing markets for organic food. In 2005, the organic market increased by 30%, three times the rise of the previous year. More and more United Kingdom consumers look to organics as a way to reduce their environmental impact and enjoy eco-friendly products. Organic cotton usage in the United Kingdom is estimated to be the equivalent of 750 tons of fibre.

Popular high-street retailers such as Topshop, Marks & Spencer (M&S), Next, and Oasis, and supermarkets such as Asda already sell organic cotton items or are preparing to do so in 2007. Tesco will launch a 100% organic cotton collection by top designer Katharine Hamnett. Successful United Kingdom brands selling organic cotton textiles and clothing include People Tree, Hug, Gossypium, Seasalt and Ciel, and mail order companies such as Greenfibres and Howies (Soil Association, 2006).

A big push forward for the organic cotton market in the United Kingdom was expected from M&S, which announced in 2003 that it would convert an increasing percentage of its cotton use to organic. This has not yet materialized however. Today, M&S's focus is on fair trade cotton items, for which it is now establishing itself as the leading retailer worldwide.

One of the new United Kingdom brands in organic cotton is Next which sells clothing and home furnishings. Next has close to 400 stores in the United Kingdom, and some in Ireland and Denmark. It is also represented through 80 franchise stores in 14 other countries in Europe and in the Middle and Far East. In addition, Next sells by mail order and through electronic commerce, and had about 2 million active customers in 2005. Turnover of the Next Group was EUR 4.3 billion (GBP 2.9 billion) in 2005.

In 2006, Next investigated opportunities to develop specific ranges in 100% organic cotton across its business. A trial range of four women's jersey long- and short-sleeved tops and ecru jeans went into store in September 2006. A range of organic babywear is also on sale (three-packs of bodysuits and sleepsuits for newborn boys and girls). 'For 2007, the number of organic cotton products will be expanded to include women's, men's and childrenswear. Next is also exploring the opportunities for fair trade cotton, and hopes to have a small range of products on sale in 2007', writes Next's Philippa Dalton (20 October 2006).

The United Kingdom certification body Soil Association reports high interest from fashion brands for organic textile certification. In 2007 the Soil Association will adopt the new Global Organic Textile Standards (GOTS), together with other international organic textile certifiers.

**Box 11. Marks & Spencer: organic or fair trade cotton ?**

M&S is one of the largest retailers of clothing, food and home products in the United Kingdom, with a turnover of almost EUR 12 billion (GBP 7.9 billion) in 2005. M&S sells textiles and clothing at moderate prices to a public of middle-aged customers, particularly women. In addition M&S has 155 stores managed under franchise in Europe, the Middle East, Asia and the Far East, stores in Ireland, and 9 wholly owned stores in Hong Kong. M&S also owns the United States group Kings Super Markets.

Corporate social responsibility (CSR) is important to M&S. As a 100% own-brand retailer, M&S is in a position to control the quality of products and the way they are produced. M&S is talking more and more to its customers about how products are sourced to ethical standards. Early in 2006, it launched the campaign 'Look behind the label', encouraging customers to inquire about and appreciate the values behind its labels and products. M&S was recently praised by several United Kingdom environmental NGOs for its CSR policies (Carrell, 2006).

M&S has been involved in organic cotton usage since the early 1990s, but has discontinued usage twice. Its first venture into the sale of 100% organic cotton items was in the early 1990s at the time of the eco-look in fashion. Its second attempt was in 2000, when M&S brought out a trial collection of organic cotton clothing in 12 of its United Kingdom stores. The collection included babywear, underwear, and women's and menswear, but it was discontinued following low sales.

M&S is one of the founders of the organic cotton business network Organic Exchange, established in 2003.<sup>25</sup> In 2004, M&S's aim was for 5% of its cotton use to be organic in 2010 (about 2,000 tons), by developing specific ranges of best-quality organic cotton items and also by blending organic with conventional cotton. In 2005, the company launched the sale of 100% organic cotton yogawear from the AgroCel project in India, but sales were lower than expected. Organic cotton usage in 2005 was still limited to a few tens of tons, and attention had switched away towards fair trade cotton, which was launched in the United Kingdom in November 2005.

The market for fair trade products in the United Kingdom has been booming over recent years. M&S plays a significant role in it, having switched all its coffee and part of its tea offerings towards fair trade. 'Our customers are just more interested in fair trade than in organic. If we use organic cotton at all, it should be organic "fair trade".' says Graham Burden, M&S's cotton specialist. M&S seems to be progressing in this endeavour indeed, having bought an estimated 100 tons of organic fair trade cotton in 2006, from India, Mali and Senegal. However, 'the aim for 2,000 tons of organic cotton in 2010 is unrealistic', said Burden in September 2005.

*Source:* M&S Sustainability Report 2005.

<sup>25</sup> M&S also participates in the Better Cotton Initiative (BCI) initiated by WWF.

### 3.7 France

France is another booming market for socially and environmentally responsible cotton products. France has been a pioneer in the development of fair trade cotton, and the fair trade movement is supported financially by the French Government. Organic cotton consumption is also increasing. Organic cotton textiles and clothing can be encountered with surprising ease in the French capital Paris today (see table 3). Consumption in 2006 is estimated at 600 tons of fibre.

Supermarket chain Monoprix is the main French retailer of organic cotton products, with a consumption of 163 tons of bioRe cotton in 2005. Monoprix sells 100% organic cotton clothing products under different labels for babies (Bout'Chou, whole range), children (C.F.K. sweaters and underwear, WWF shirts), men (Derby underwear, Autre Ton printed shirts) and women (MissHelen underwear and nightwear). Monoprix's household textiles and bed linen do not yet include organic cotton products, nor do the hygienic cotton products. Many textile and clothing products at Monoprix carry the skin-friendly Oeko-Tex label, including some of the 100% organic cotton items.

Another major French retailer is the textile and clothing company Celio, which has a total of 370 shops, of which 220 are in France and the others elsewhere in Europe, the Middle East and the Maghreb. Celio is the leader in the French market for menswear, before Gap, H&M, Zara and others (Collomp, 2006). Celio now carries a range of printed T-shirts made of 100% organic cotton. Celio is also involved in the sale of Max Havelaar-labelled fair trade socks.

French mail order companies carrying organic cotton items include Somewhere/La Redoute, Vertbaudet, Le Camif and Fibris.

*Table 3. Retail stores in Paris found to be selling organic cotton items (September–October 2006).*

Supermarkets	
Monoprix	babywear range (Bout'Chou), children's sweaters (C.F.K.), children's shirts (WWF), men's underwear (Derby), printed shirts (Autre Ton), women's nightwear and underwear (MissHelen)
Forum Les Halles	
Celio	shirts (Celio)
Levi's	jeans (Levi's)
Nature & Découvertes	shirts, trousers (Ekyog), shopping bag (Nature & Découvertes)
Quiksilver	printed shirts for men (Quiksilver)
Organic and health food stores	
Biocoop	shirts, socks (Living Crafts), cotton pads (Bo Weevil), tampons (Natracare)
Naturalia	cotton wool, cotton sticks (Système Biologique)/Carpe Diem, tampons (Natracare), hygienic tissues (Douce-Nature/Euro-Nat), socks (Pural)

Source: Elaborated by author.



Table 4. Companies in France involved in the production and sale of fair trade items (2006).

Product	Companies involved
Clothing	Pangea, Armor-Lux, Celio, Corto Bello, Eider, Cora, Jardin Bio, Kindy, Les Mousquetaires, La Redoute, Open Minded People, Rica Lewis, Switcher, TerrAlerte
Household textiles	Subrenat, Hacot/Colombier, Jardin Bio, Songes & Ponges
Cushions	Abeil, Lerstra, Willefert, PEG
Professional textiles	Le Cèdre, La Post par Armor-Lux
Bags	EcoSac, E.LeClerc
Hygienic cottons	Bocoton/Hydra

Source: Max Havelaar France website ([www.maxhavelaarfrance.org](http://www.maxhavelaarfrance.org)).

The French market for fair trade products is growing rapidly. Max Havelaar France pioneered the production and trade of fair trade cotton in 2004, with first sales starting in spring 2005. Fair trade cotton was launched with a range of textile and clothing products. Sales in Belgium, Switzerland and the United Kingdom followed soon after.

In 2006, there were 27 companies registered by Max Havelaar France for the production and sale of fair trade cotton items in France (see table 4). The fair trade cotton items are for sale in main supermarkets and department stores (Auchan, Carrefour, Casino, Cora, Intermarché and E. Leclerc), through mail order and over the Internet (La Redoute, La Camif), as well as through specialized stores and brand stores.

### 3.8 Other markets

Further markets for organic cotton textiles and clothing products can be found in the other European countries (including Eastern Europe), in Japan and the Far East (China, Malaysia, Singapore, the Republic of Korea, Thailand), in Canada, in Australia, in the Middle East (including Israel, Egypt and Turkey), as well as in countries of low average income but with significant segments of society enjoying a medium to high income (such as Brazil and South Africa).

## 4. Future development of the organic cotton market

In order to develop a better idea of the future prospects of the international market for cotton products, a holistic view of the entire fibre-to-clothing value chain is needed. This chapter examines the arguments for and against expanding production of organic cotton, at each stage in the chain, as well as the strengths, weaknesses, opportunities and threats of the industry.

### 4.1 Arguments in favour of expanding organic cotton

#### *Production*

- Organic cotton is in demand. Production and trade increased 70% per year on average between 2001 and 2006, and have more than doubled annually since 2004.
- Cotton is an important rotational crop for many organic farmers in the world. Its cultivation will increase with growth of the market for organic produce.
- The additional production costs of organic cotton may be limited in systems with multiple organic crops, while overhead costs can be shared between various crops.
- Organic cotton production also has potential in production systems where cotton is the main cash crop or the sole cash crop. Here, market prices, access to information and production efficiency are important parameters in farmers' decision-making about whether to convert to organic production.
- The infrastructure for organic cotton training and extension is expanding. Much can be learned from training and extension approaches for integrated pest management (IPM) and integrated crop management (ICM).
- Improved access to information technology is facilitating the exchange of experiences, expertise and ideas for organic cultivation methods, as it is for marketing of the organic produce.

#### *Processing*

- Many spinning and textile mills around the world are involved in organic cotton processing. This favours economies of scale in processing.
- Blending organic cotton at some minor percentage at the level of spinning is an effective way to increase fibre demand at low cost.
- Infrastructure for the knitting of organic cotton is well established, more so than for weaving, because of the lower minimum quantities required per production run. Brands and retailers generally start with the production and sale of knitted items when first engaging in organic cotton usage.

#### *Retail*

- The concept of 'organic cotton' is successfully being marketed to brands and retailers in the fashion industry as being part of their policies for CSR.
- The new involvement of large brands and retailers increases the number of points of sale exponentially, making organic cotton items available to consumers in the usual points of purchase for textiles and clothing. Organic cotton items are increasingly found in regular sale channels such as high-street fashion shops, department stores, and supermarkets.

- The involvement of large fashion brands and retailers in organic cotton use generates much attention from other parts of the textile industry, from designers and from the media. This further strengthens consumers' interest in organic cotton textiles and clothing, and their willingness to purchase.

#### *Infrastructure*

- Demand for organic products has become significant in the main consumer markets (United States, EU, Japan), even when market share is still small.
- Textile and clothing brands and retailers are increasingly aware of, and responding to, the need for comprehensive CSR policies.
- The organic cotton sector consists in a network of brands and retailers and international NGOs on environment and development, the latter often with financial support from public funds.
- Organic Exchange provides an active and productive platform for exchange between businesses involved in organic cotton.
- Communication to consumers of the involvement of brands and retailers in organic cotton use is organized by the brands and retailer themselves.
- Fair trade cotton creates a unique opportunity for smallholder farmers, including organic cotton producers, to increase their visibility, their income and their development.

## **4.2 Arguments against expanding organic cotton**

#### *Production*

- The demand for organic cotton fibre currently outstrips supply. Supply growth is lower than demand growth.
- About half of global organic cotton is produced by two single projects – one in Turkey and one in India. This points to a fragile market.
- Easy options for production expansion were available a few years ago, when the market for organic cotton was much smaller than the market for other crops in the organic production system. Cotton could then relatively easily be added as a rotational crop. This is less the case today.
- Organic agriculture provides technical challenges to ensure appropriate yields and income. Conversion to organic takes time, knowledge and expertise.
- During the conversion to organic agriculture farmers are usually not rewarded with a price premium for their in-conversion produce. Organic farmers face significant financial risks in conversion.
- Conversion to organic will be easier in some production areas than in others – technically, organizationally and socio-economically. Decision-making about the promotion and development of global organic cotton production should take account of this.
- The conversion to organic farming tends to be more difficult and more expensive in areas where conventional farming relies upon a high use of synthetic inputs, as the yield drop in organic will generally be higher.
- The growing importance of GM cotton in the world creates direct additional costs for organic cotton production, because of the separation between fields that is required to prevent contamination.

- Organic crop management techniques are an amalgamation of methods, many of which are little understood by both science and farmers. Research is urgently needed to understand, support and strengthen the organic cotton sector.
- The premiums paid under fair trade cotton production make it more difficult to motivate conventional farmers to convert to organic. They lean towards the higher fair trade price, as the additional organic premium is comparatively lower.

### *Processing*

- Organic cotton fibre, yarn, fabrics and garments cannot be distinguished from conventional ones, and generally not even from GM cotton, other than through documentation about production lots and volumes.
- The additional costs of blending organic cotton at low percentages have thus far not been rewarded by brands and retailers through price premiums. The involvement of spinning mills has been more or less imposed upon them by brands and retailers.
- Woven organic cotton items are not yet very common in the marketplace. Minimum quantities in weaving are much higher than for knitting, thus increasing financial risk.
- Spinning is capital-intensive and requires high minimum quantities of fibre. Smallholder producer organizations do usually not have an influence on the processing of their cotton fibre, which is a bottleneck for increasing their influence on, and participation in, the cotton textile chain.
- Labour issues in processing (spinning, weaving/knitting, dyeing, mercerizing, confection) are not currently considered in the organic rules and regulations.

### *Retail*

- Organic cotton demand currently outstrips supply.
- The involvement of large brands and retailers is motivated more by CSR considerations than by expressed consumer demand.
- Many brands and retailers do not advertise to the general public their involvement in organic cotton, because the organic quality of the product is only an additional feature in consumers' purchasing decisions.
- Sales agents of brands and retailers involved are often highly uninformed about the very existence of the organic cotton items for sale, and about what organic cotton means and implies. They thus cannot and do not sell it.
- The positioning of 100% organic cotton items should be at price levels close to conventional cotton, in order to generate volume.

### *Infrastructure*

- The cotton crop is not adequately covered by public organic regulations in the main consumer markets (Europe, United States, Japan).
- There are no regulations in place to ensure that organic cotton items sold to consumers actually carry organic cotton fibre, other than several private schemes which have not yet found large recognition in the marketplace.
- The organic cotton sector is not yet well recognized by the international cotton community despite the increasing involvement of large brands and retailers.

- With organic cotton demand outstripping supply, prices are likely to go up. This increased price differential between organic and conventional cotton enhances the opportunity for profit-making and consequently the risk of cheating.
- The second-largest actor in the marketplace (Nike) claims to be committed to third-party certification, however only part of the supply chains is covered (up to the spinning mill). There is no third-party certification for other processing stages.
- There are no comprehensive mechanisms in place that back up the claims made by brands and retailers about the amount of organic cotton fibre they use.
- The Organic Exchange Blended Standards and related certification act as a track and trace system that is internal to companies that sign up. No actor can establish whether the data provided are in accordance with reality.
- The concept of 'organic cotton' as understood by the general public is to a large extent built upon information about cotton production systems (health, environment, socio-economics) that form only a minor part of organic cotton production. Africa's situation is often over-publicized in the media.
- Organic cotton production as such has not yet proven to be an economically attractive alternative for conventional farmers in many areas in the world.
- Public support for organic cotton market development is usually justified by concerns about smallholder farming in poor countries (for example in Africa). However, this support may well lead to the promotion of production by middle income countries (such as Turkey) or large-scale producers (Australia, United States).

### 4.3 Opportunities

#### *Production*

- Organic cotton production has potential in areas where cotton is the main cash crop or the sole cash crop, as long as market prices, access to information and production efficiency are ensured.
- Organic cotton projects in countries in the South may aim for participation in fair trade to receive a higher price for most or part of their produce.
- Fair trade cotton growers have a higher probability of becoming organic fair trade producers than conventional producers, because of their more frequent linkage with consumer markets. Fair trade cotton eliminates the use of the most toxic and dangerous cotton chemicals in production.
- Farmers produce seed cotton not cotton fibre. With demand outstripping supply in the next few years, organic cotton fibre prices may increase. This would create opportunities for producers and their organizations to claim higher producer prices for seed cotton.
- Brands and retailers continuously develop and refine their CSR policies. The probability is increasing that they will in future go beyond issues such as energy, environmental performance and labour conditions, to also include specific attention to the fate of producers in resource-poor Africa.

### *Processing*

- Organic cotton demand will continue to grow in the future, thus increasing the number of spinning and textile mills involved, and enlarging the range of intermediate and end-products available to the industry and to consumers.
- With demand outstripping supply, organic cotton prices are likely to increase. This creates opportunities for processors to increase the price of organic cotton yarn, fabrics and garments beyond the additional production costs of organic cotton.
- Brands and retailers using organic cotton are likely to be among the first to welcome and implement globally agreed standards for organic textile processing.<sup>26</sup> Organic textile processing is a logical next step adding value to organic fibre use.

### *Retail*

- The importance end-consumers attach to health and ‘wellness’ is likely to increase in time, to the benefit of organic agriculture and trade.
- Price differences between organic cotton items and conventional items may decrease, because of more efficiency in processing (higher-volume production runs, etc.), and following increased product availability. Organic cotton items may evolve in the marketplace from being a speciality item towards becoming commonly available goods.
- Consumer information about the organic nature of organic cotton items (for example through labels inside, hang-tags, consumer brochures or advertisements) is still in its infancy. New strategies and tools may be developed by brands and retailers to cash in on their involvement in organic cotton, improving their image and profile among consumers.
- The growing interest in CSR issues throughout the cotton textile production chain may eventually lead to the development of a global system of textile labelling inside clothing that incorporates the production history of the item.
- The value of the cotton fibre contained in textile and clothing items makes up only a small part of their retail value. As such, the textile and clothing industry has room for manoeuvre to incorporate a higher producer price for fibre input.

### *Infrastructure*

- High-profile brands and retailers are not likely to take the risk of making unsubstantiated claims about organic cotton usage without adequate documentation, control and certification.
- High-profile brands and retailers will increasingly require information from their suppliers about the production and processing conditions in the cotton textile production chain.
- Documentation of the social and environmental aspects of cotton production and processing may eventually become the norm in the cotton and textile production chain.
- With demand outstripping supply, brands and retailers may increasingly become involved in the development of organic cotton conversion

---

<sup>26</sup> The Global Organic Textile Standards (GOTS) seem to provide a good vehicle for this. However, the GOTS have been criticized by some large players such as M&S for being insufficiently adapted to their consumer demand, scale and practices.

programmes in producing countries, in order to ensure their access to organic cotton supply.

## 4.4 Threats

### *Production*

- Demand for organic cotton fibre depends on the reliability of the claims made about its 'organic' origin and production. Transparency of the chain is thus far often limited to qualitative information (who works with whom).
- The organic cotton sector does not seem to be able, now or in the near future, to meet the current explosion of interest in purchasing organic cotton fibre, yarn and fabrics. If demand cannot be met, the image of the organic cotton sector will be affected and many newcomers may lose interest, and prefer to focus on the use of other sustainable cottons.
- Organic cotton will not be accepted by many brands and retailers as the only way to move towards better CSR policies. Interest in other, additional approaches such as 'Better Cotton', 'cotton from origin' (whether United States, Peru, Africa, or similar), IPM or ICM cotton is expected to grow over the next few years.

### *Processing*

- There are no clear mechanisms to bind spinning and textile mills to voluntary networks such as Organic Exchange, or to third-party certifiers, and to thus have some sort of internal control over usage claims and their substance.
- Once organic cotton has become a common good and is taken up also by medium- and low-profile brands and retailers, the opportunity for cheating by spinners and textile mills may increase. Medium- and low-profile brands and retailers run a higher risk of fraud by suppliers.

### *Retail*

- Selling organic cotton items may remain a one- or two-year fashion trend for some brands that are in the marketplace today.
- It remains to be seen whether brands and retailers that explicitly promote 100% organic cotton items as 'organic' will be able to sustain sales and involvement after one or two years. Fashion is ephemeral in its tastes. Organic, however, is a feature that is not.
- Blending is an approach that provides new brands and retailers with an easy entry to the organic cotton sector. It is relatively easy to accomplish without too much cost. Blending contributes to achieving NGO approval for CSR policies, and it may also provide free publicity. From the perspective of the organic cotton sector, there is a risk that blending only a small percentage of organic cotton would be a substitute for a more profound involvement in organic cotton use by brands and retailers.

### *Infrastructure*

- Brands and retailers develop CSR policies out of longer-term concerns. Organic cotton use can be part of that, but does not have to be. Brands and retailers may well opt for other cotton purchasing policies.

- Organic cotton usage creates a lot of free publicity for involved brands and retailers and NGOs. Longer term issues such as building a strong market and supporting the very farmers that grow organically may be disregarded at times by the symbiotic bond of businesses and environment and development NGOs.
- Publicity for the involvement of larger brands and retailers in organic cotton is often premature, happening at the announcement of involvement rather than on sale of the items.
- Until recently, brands and retailers were not used to dealing with actors in the cotton textile chain other than the garment manufacturers. Many of them are now starting to be interested also in the origins of the goods they buy. It is not likely, however, that many will go as far as committing in the short-to-medium-term to supporting specific organic cotton production projects.
- With demand for organic cotton fibre increasing, cotton traders and ginneries will express a growing interest in setting up their own internal infrastructure for organic cotton production and trade.
- Organic agriculture will increasingly be confronted with the risk of contamination by GM organisms, as GM crops are progressing today even in reluctant consumer markets (such as Europe) and producer countries (such as West Africa).



## 5. Conclusions and recommendations

Corporate social responsibility (CSR) is increasingly shaping the policies of brands and retailers in the textile and clothing industry. As companies become aware of the impacts conventional cotton production has on farmers and farming communities, they consider alternative cottons, to serve consumers and to improve their public image.

One of the alternatives to conventional cotton fibre production is organic cotton production in which hazardous chemicals are no longer employed – this to the benefit of farmers, workers, domesticated animals and the environment. The first certified organic cotton was produced in Turkey and the United States in the early 1990s. In 2006, organic cotton was produced in 22 countries worldwide.

### Organic cotton production

Global production and trade in organic cotton was estimated at about 23,000 tons of fibre in 2006, against 6,000–6,500 in 2001, and 10,000 tons in 2004. Production growth thus was an annual 70% over the period 2001–2006, reaching 120% per year since 2004. Despite this impressive growth, traded organic cotton fibre still represents only 0.09% of the 24.8 million tons of cotton fibre traded worldwide.

Organic cotton production is concentrated in Turkey (10,000 tons of fibre, 43% of the world total) and India (6,500 tons, 28%), where growth has recently also been most spectacular. Together they produced more than 70% of the world organic cotton supply in 2006. Other relevant producers in terms of volume are China (1,750 tons, 8%), the United States (1,500 tons, 7%), African countries (1,800 tons, 8%) and Peru (750 tons, 3%). Countries that have started or restarted organic cotton production include Australia, Burkina Faso, Kenya, Kyrgyzstan, Nicaragua, Pakistan, South Africa and Zambia.

More than half of the global production of organic cotton fibre is in the hands of just two companies: Mavideniz in Turkey, with about 8,000 tons of fibre in 2006 (35% of the world total) and Eco-Farms in India, with 4,000 tons of cotton fibre in 2006 and an estimated 6,000–7,000 tons of fibre in 2007. This high concentration of production in two single projects points to a fragile market, and to a vulnerability of supply. The performance of these two projects in terms of quality, price, reliability of supply, control and certification, and transparency, may determine the future of the global organic cotton market in the short and medium term.

Expansion of organic cotton production is required in order to meet the demands raised with brands and retailers in the textile and clothing industry. Easy options for production expansion were available a few years ago, when the market for organic cotton was lagging far behind the market for other crops in the organic production system. Cotton could thus relatively easily be added as a rotational crop.

In the near future, cotton may eventually become the motor for agricultural change, inciting farmers to convert their land to organic agriculture because of a relevant market for organic cotton. Demand growth will need to be sustained for that to occur.

Organic cotton production in Turkey is expected to increase further, also thanks to the introduction of national subsidies for organic agriculture. Production in India is expected to increase rapidly over the next years, particularly when and where produce can be sold as organic fair trade. Production can also be increased in Africa, but infrastructure for large-scale projects is yet to be build. Information about the production potential in China is difficult to obtain, but growth is expected. United States production will likely continue to lag far behind United States demand.

Conversion to organic agriculture is not easy. It takes knowledge, time, investment, and a lot of motivation and organization. Markets can incite conversion only in part through demand growth. Farmers and their organizations need support to build capacity to convert to organic agriculture, in particular in order to bridge the conversion period and related risks of production.

*Public and private parties should create appropriate contexts for farms to convert to organic. This can include financial support in conversion, facilitating access to information about organic farming including extension and marketing support, subsidies on the costs of control and certification, and the creation of low-interest funds for investment in organics.*

### **Organic cotton processing**

The infrastructure for processing organic cotton fibre has improved tremendously over recent years, thanks in part to the awareness-raising of spinning and textile mills that was induced by the blending programmes of large brands and retailers. Today, virtually any quality of yarns and fabrics can be produced from organic cotton.

The processing of blended yarns (about 5% organic) has been little rewarded thus far by brands and retailers, and therefore is less interesting to spinning and textile mills than producing 100% organic cotton items. However, blending helps mills to learn about organic cotton and to obtain access to sources of organic cotton fibre.

*Blending programmes are a useful tool to introduce spinning and textile mills to the world of organic cotton. Blending programmes may be considered a stepping stone towards the production of 100% organic cotton items.*

Demand for organic cotton fibre is outstripping supply today and will continue to in the near future. This creates opportunities for the processing industry to increase the price level of yarns, fabrics and garments, and to augment profit margins on organic items.

*Price increases should not go much beyond the invoicing of real additional costs, in order not to create new barriers to the purchase of organic cotton items and the growth of organic cotton production. Increasing the volume of*

*organic production at farm level should be the final objective of the CSR policies of brands, retailers and mills regarding organic cotton.*

Consumer demand for organic cotton textiles and clothing will increase now that items are for sale through regular sale channels and in regular qualities and designs. The industry will progressively include the environmental and health aspects of textile processing in their CSR policies.

*Public and private parties should collaborate in order to define and establish binding rules and regulations for the ecological and social processing of textiles and clothing. Support for the adoption of the Global Organic Textile Standards (GOTS) is a first step towards this goal. Revision and elaboration of the GOTS, with the involvement of the textile and clothing industry and governmental bodies, may be necessary to help these rules make it into legislation.*

### **Retail of organic cotton items**

Demand for organic cotton fibre is outstripping supply today, and is likely to continue to do so in the near future. The marketing of 'organic cotton' as a concept has been so successful over the last years that new entrants risk becoming rapidly disappointed by lack of product availability. This might generate a loss of interest in organic cotton among some of these new brands and retailers. The shortage of supply could also result in organic cotton items being positioned in higher-priced market segments.

*The interest generated among large brands and retailers for 'improved' cotton production creates new opportunities for the separate marketing of other types of 'better' cotton, yarn, fabrics and garments. Diversification will likely occur in favour of air trade cotton and textiles, 'better cotton', cotton of origin (such as Africa), IPM and ICM cotton, etc. The organic cotton sector should consider these other movements as allies rather than as competitors.*

Around 50–60% of the global organic cotton fibre is taken up by some 25 large brands and retailers, with the rest feeding into the sales of medium and small-scale specialized retailers of organic cotton textiles and clothing.

*The reliability of the commitments of many large brands and retailers in terms of purchasing organic cotton is yet to be proven. Organic cotton purchasing is vulnerable to external influence, changes in company management and strategy, changes in the company's perception of what is sustainable, criticism from the conventional cotton sector, etc. Organic cotton producers and projects should (continue to) aim to establish longer-term arrangements with their customers, in order to reduce risk.*

Current demand for organic cotton fibre is particularly induced by CSR considerations. Many brands and retailers engage in organic cotton fibre use in order to seek approval and publicity from environment and development NGOs, investors, governments and consumers. Companies' communication to end-consumers about their organic cotton involvement is often still limited. Some brands and retailers do

not want their products to be associated with organics, while their textile and clothing items are sold on other features: image, design, colour, fit, price, etc.

In any case, the CSR-induced demand is an important stepping stone towards consumer-led demand for organic cotton textiles and clothing, while increasing general awareness and product availability. Consumer-led demand will have to be the basis in future for the development of global organic cotton production and trade.

*Little is known about consumer demand and the perception and appreciation of 'organics' in textiles and clothing. Many questions exist about how to communicate 'organics' to consumers. Consumer demand for textiles and clothing made of, or made with, organic cotton fibre, should be analysed in depth.*

The promotion of organic cotton fibre as a product originating from organic farming systems relates to agricultural change. The aim of actors in the organic cotton sector should be to increase the benefits of organic farming to producers, and to smallholders in particular. Organic cotton can be a tool for rural development.

*All actors involved in the organic cotton market should try to ensure that absolute price differentials are no higher for organic items than necessitated by additional cost. Consumers should be encouraged to optimize their usage of organic cotton items, rather than be confronted with higher prices and with trade practices that leave organic profits with intermediaries instead of farmers. CSR policies should aim for an optimized demand for organic cotton fibre (in volume), to maximize the market for organic cotton fibre.*

### **Infrastructure of the organic cotton market**

Today's market for organic cotton has been shaped by a coalition of large brands and retailers, organic cotton producers, and supporting environment and development NGOs. There are powerful trade-offs between these three parties.

The brands and retailers express demand, and they motivate and push the processing industry into organic cotton use. The organic cotton producers generate produce in spite of the complexities of organic farming and of a sometimes hostile social environment. Environment and development NGOs, in turn, provide brands and retailers with very valuable third-party endorsement of their CSR policies. They generate free publicity, and they also often finance operations and costs at the producer level, which are thus not integrated in the cost price of the organic cotton fibre.

*Support of environment and development NGOs, governments and companies for the development of organic agriculture at farm level is to be sustained and expanded. Organic agriculture is about farmers – not produce.*

Consumers are attracted by organic cotton items thanks to the existing rules and regulations about organic agriculture, which take away mistrust and actually give them confidence in the 'organic' claims being made.

*The organic cotton sector should be very careful in communicating the organic nature of products to consumers, and should do so only in full collaboration with the organic agriculture movement. The fact that organic cotton textiles and clothing are not covered by the existing organic rules and regulations puts a particular responsibility on the organic cotton sector.*

Producers and their organizations have participated in the organic cotton business network Organic Exchange since 2005 through separate farmers' meetings, where they are often represented by third parties such as buyers, consultants, NGOs or donors.

*These farmers' meetings should become representative for the organic cotton movement, with equal participation of farmers from the main producing countries, and with direct participation of farmers and their organizations.*

### **Opportunities for cotton ginner and exporters**

The demand for organic cotton fibre is increasing. New opportunities are emerging for cotton exporters, many of which are large companies that have so far considered organic cotton to be too small in scale to be attractive.

*Cotton ginner and exporters should follow a path similar to that of the textile and clothing industry and of pioneer organic cotton exporters, by informing themselves about the pros and cons and the opportunities for and threats to organic cotton production in their particular environment.*

Regular cotton research has thus far not been engaged in organic cotton research. This situation may change with growth in demand for organic cotton, and with pressure from the organic cotton industry.

*Cotton ginner and exporters may have to rely on external sources for information about organic cotton production methods in the short term.*

Cotton ginner and exporters are in a crucial position to support the expansion of conversion to organic agriculture while many of them employ their own trainers and extensionists.

*Cotton ginner and exporters should be facilitated by third parties, providing both services and funds, to build capacity about organic cotton production and about organic agriculture in general. Larger-scale markets for organic cotton fibre, yarn, fabrics and garments are emerging. Many producers and producer groups would prefer to grow organically, for the benefit of their health and the environment, if infrastructure were there and economics were right.*

Cotton ginner and exporters are the ultimate link in the chain between producers and spinning and textile mills. The current involvement of ginner and exporters such as the trader Paul Reinhart, the Mali Company for Textile Development, and specialized

organic traders like Mavideniz, Eco-Farms and Remei, may inspire others to follow suit.

*With the emergence of markets for speciality cottons such as organic cotton, ginners have a genuine commercial interest in passing on the benefits of organic cotton trade to producers and their organizations.*

## References

- Calahan Klein, R. (2006), *Organic cotton market report. Spring 2006*. Organic Exchange, Oakland CA, United States. May 2006, 59p.
- Carrell, S. (2006), Greenpeace says M&S is the best. In: *The Independent on Sunday* (18 June 2006).
- Collomp, F. (2006), Celio, le nouvel homme anti-macho. In: *Journal du Dimanche* (5 June 2005).
- Coop (2006), *Sustainability. Facts and figures on the economic, ecological and social development of the Coop Group*. Coop, Basel, Switzerland, 106p.
- Évènement Syndical (2006), Textiles éthiques.... In: *Évènement Syndical* (21 June 2006).
- Ferrigno, S. (2006), *Organic cotton fiber report. Spring 2006*. Organic Exchange, Oakland, CA, United States. May 2006, 30p.
- Ferrigno, S.F., P. Nagarajan & A. Lizarraga (2006), *Sowing the seeds of change: weaving innovation and integrity into organic agriculture*. Organic Exchange, Oakland, CA, United States. September 2006, 56p.
- FLO (2005), *Generic fair trade standards for smallholders' organizations*. Fair Trade Labelling Organizations International (FLO), Bonn, Germany. December 2005, 22p.
- FLO (2006a), *Fair trade standards for seed cotton for smallholders' organisations*. FLO, Bonn, Germany. May 2006, 7p.
- FLO (2006b), *FLO prohibited materials list*. FLO, Bonn, Germany. April 2006, 5p.
- French, A. (2006), Suppliers get on board Wal-Mart's environmental program. In: *The Morning News* (3 March 2006).
- IFOAM (2005), *IFOAM EU Group welcomes revision of organic regulation*. Press release (21 December 2006). Brussels, Belgium, 1p.
- IMO (2006), *Global Organic Textile Standard (GOTS): Official start for certification process*. Press release (9 October 2006), 1p.
- Krier, J. (2006), *Fair trade in Europe. Facts and figures on fair trade in 25 European countries*. Fair Trade Advocacy Office, Brussels, Belgium. December 2005, 86p.
- Organic Exchange (2005), *OE Blended Standard, version 2/2005*. Organic Exchange, United States. September 2005, 28p.
- Organic Exchange (2006), *Organic cotton sourcing directory 2006*. Organic Exchange, United States. September 2006, 24p.
- OTA (2006), *Organic Manufacturer Survey 2006*. Organic Trade Association, Greenfield MA, United States.
- OXFAM (2002), *Cultivating poverty. The impact of United States cotton subsidies on Africa*. Oxfam Briefing Paper, No. 30. Oxfam, Oxford, United Kingdom. August 2002, 36p.
- Pick, S. (2005), *2005 Organic Cotton survey*. Organic Trade Association (OTA), Greenfield MA, United States. December 2005, 4p.
- Ton, P. (2002), *The international market for organic cotton and eco-textiles*. PAN-UK, London, United Kingdom. August 2002, 34p.
- Ton, P. (2005), *Le marché international du coton biologique et des éco-textiles*. PAN-UK, London, United Kingdom. January 2005, 40p.



International  
Trade  
Centre



**Street address**  
International Trade Centre  
54-56 Rue de Montbrillant  
1202 Geneva, Switzerland

**P:** +41 22 730 0111  
**F:** +41 22 733 4439  
**E:** [itcreg@intracen.org](mailto:itcreg@intracen.org)  
[www.intracen.org](http://www.intracen.org)

**Postal address**  
International Trade Centre  
Palais des Nations  
1211 Geneva 10, Switzerland