Organic Cotton’s Threshold Moment:
Revitalizing a global partnership to address the organic cotton sector’s four challenges

The Organic Cotton Accelerator, 2017
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Executive summary

The organic cotton sector stands at a crossroads. The crop can become a cornerstone of apparel brands’ sustainability and sustainable cotton portfolios, meeting a growing market demand for sustainable clothing while offering substantial benefits to farmers and environment alike. Achieving this would mark a key achievement on the path towards the UN Sustainable Development Goals.

However, a number of enduring challenges cripple the sector, undercutting the business case for farmers, creating sourcing- and reputational risks for brands, and leading to a scattering of stakeholders’ initiatives across the sector landscape. If no action is taken soon, this situation will progressively erode the public image of organic cotton, and with it the willingness of stakeholders to invest in the sector, sending organic cotton into a terminal decline.

The good news is that the industry players retain a strong trust in the promise of organic cotton, and that it is possible to meet these challenges to ensure the continued vitality and sustainability of the organic cotton sector. To turn this game around requires the development and realization of a unified sector vision and agenda, to fix the business case throughout the value chain, from farmer to brand, and unlock the potential for a robust and growing organic cotton sector.
Organic Cotton: a Cornerstone Sustainable Crop

Organic cotton could become a core pillar in the sustainability portfolios of apparel brands. A growing consumer demand for organic or ‘conscious’ products shows that there is a strong business case for the crop. This is the result of a ‘green wave’ in the demand for organic products, which originated in the organic food sector—which grew 141% (to 60bn Euros) between 2005-2014—and which has also steadily driven up the demand and market value for organic textiles (Willer & Lernoud, 2016). This trend is likely to continue, as the rise of environmentally-conscious fashion strengthens customers’ willingness to buy quality organic apparel (Textile Exchange, 2014a, 2016; Forum for the Future, 2010). Moreover, more than 56% of brands have now established concrete organic cotton sourcing targets, including both small and large fashion brands from different market niches (Textile Exchange, 2014b). Most importantly, key players such as C&A, H&M and Inditex are actively committed to sustainable sourcing strategies (cf. UN Partnerships for SDGs, 2016).

This matters because organic cotton makes sense not only from a business case, but is also critical from a sustainability perspective. IFOAM defines organic as “a production system that sustains the health of soils, ecosystems and people. It relies on ecological processes, biodiversity and cycles adapted to local conditions, rather than the use of inputs with adverse effects” (IFOAM, 2017), such as synthetic pesticides, chemical fertilizers, or genetically modified (GM) seeds (ITC, 2007). In this way, organic cotton sets itself apart as the sustainable alternative to conventional cotton production, which involves some of the highest use of pesticides (de Blecourt et al., 2010), and incurs a heavy water footprint (WWF, 2013; CottonConnect, 2014). Organic cotton offers a lower ecological footprint; and by reducing exposure to insecticides, pesticides, and other chemicals, improves biodiversity and benefits the health and safety of farmers and their communities (FAO, 2015). The protection and growth of organic cotton farming is therefore a critical step in turning around the negative externalities of conventional cotton.

The organic cotton sector stands at the nexus of ourselves and our environment; of development and global commodity flows. Making good on the crop’s promise will be an important concrete and symbolic step to realizing lasting achievements towards the UN’s Sustainable Development Goals, as it directly contributes to the sustainable consumption, sourcing and production patterns envisioned under SDG 12. A vibrant sector is therefore the next step to a ‘comprehensively sustainable’ world—one which, in the words of the Business and Sustainable Development Commission, is “socially fair; environmentally secure; economically prosperous; inclusive; and more predictable,” while offering up for inspiration “a viable model for long-term growth, as long as businesses move […] together” (Business & Sustainable Development Commission, 2017:11).

For consumers and farmers, for supply chain actors and the apparel sector, and for the planet, organic cotton promises to become a cornerstone sustainable crop of the future—if we let it.
Four challenges crippling the organic cotton sector

Considering the robust outlook for organic cotton demand, it is surprising that the world’s production has not kept pace: even as demand has steadily increased, the organic cotton market share has remained limited to 0.2%-1% of global production. Moreover, there are some signs of a further decline: previous increases in organic cotton production (of 10% from 2013/2014) have been followed by a decline of 3.8% last year. Some of this fall was the result of stricter regulatory procedures in India, the world’s largest producer of organic cotton, as well as low prices for cotton. However, the situation in India—where organic cotton output has fallen by more than 62% since 2009/10—is a clear case which followed by a decline of 3.8% last year. Some of this fall was the result of stricter regulatory procedures in India, the world’s largest producer of organic cotton, as well as low prices for cotton. However, the situation in India—where organic cotton output has fallen by more than 62% since 2009/10—is a clear case which illustrates the structural problems plaguing the sector (Textile Exchange, 2016:32).

This is illustrative of how, despite the rising demand for organic cotton, and private and public initiatives in the sector, organic cotton today continues to face four main challenges—a weak farmer business case, the lack of value chain transparency, and the lack of sector organization, which together give rise to a damaged public perception of organic cotton. The first three problems are ‘internal’; they threaten the organic cotton sector directly, and from within; the fourth problem is an indirect threat to the organic cotton sector, as it ensures that there is only limited time to fix the sector’s problems before its brand and image becomes irrecoverable.

I. A weak farmer business case drives producers away from organic cotton

In the first place, the farmer business case for organic cotton is often weak, especially compared to that for conventional cotton or other crops. In India, for instance, the organic business case is curbed by a constraining regulatory environment. Moreover, the lack of buying contracts, along with insecurity in demand, means farmers sometimes need to sell their organic produce as conventional. Many farmers also face difficulties in obtaining quality organic seeds, because of the dominance of conventional (GM) ‘Bt-’ seeds on the market. As a result, organic farmers cannot easily buy non-GM seeds, or are faced with less and less choice in well-performing, high-quality seeds as a result of diminishing supply (Stone, 2007) (Marty, 2013), decayed non-GM seed distribution channels (Nemes, 2010, p. 76); or a lack of reliable and verified (tested) information on well-performing varieties. Seeds may even be contaminated by Bt-seeds (Blake, 2010), creating considerable compliance risks that may lead to the rejection of organic cotton harvests or lasting reputational damage (Dharwad Declaration, 2011; Messmer et al, 2014). As a result, in India over 90% of organic farmers said it was ‘very difficult to impossible’ to access organic cotton seed (Louis Bolk Institute, 2015, p. 11).

Moreover, next to lower yields for organic cotton (around 1,500kg/ha, compared to 2,100kg/ha for conventional), both the diversity of cultivars as well as lower quality of the organic cotton fibers remain an issue (Klaiss, et al., 2012) (Felkl & Sahai, 2010). Because of this, organic cotton farmers face higher risks and a lower profit margin (Vollaard & van Monsjou, 2016). Consequently, some organic cotton farmers are ceasing organic cotton production, and switching to more profitable alternatives, such as conventional cotton or cotton under more accessible certification schemes. This trend has been most pronounced in India itself; however even in the US, cotton farmers are beginning to argue that the organic cotton market is simply not profitable (Matthews, 2016).
II. Lack of transparency in the value chain erodes brand business case, and integrity issues create reputational risks

In the second place, the issues at farmer-level are increased by the lack of value-chain transparency. Many brands and retailers recognize and seek to alleviate the challenges faced by farmers. However, the length of the supply chains and the lack of minimum price guarantees for organic cotton mean that farmers rarely receive any premium for organic cotton, even where a downstream price differential has been paid (Gruere & Plastina, 2010:5). Moreover, organic cotton ‘leaks’ to the conventional market due to cotton availability being misaligned with brand purchases, and the lack of long-term demand projections and commitments from brands.

For apparel brands, the length and opacity of their material supply chains also raises concerns over sourcing organic cotton. These range from uncertainty of supply or limited ability to source small batches at short notice, to uncertainty over the actual social and environmental impact of any premiums they pay. Worse, the inability to understand or map their supply chains, coupled with limited abilities to trace organic cotton bales, can spark concerns over integrity, amongst them GMO contamination or double-selling of organic. These may pose large reputational risks for brands, which might be inadvertently accused of ‘greenwashing’ contaminated cotton used in their collections (van Duijn & Hesp, 2016).

III. The fragmentation of sector governance leads to integrity issues, inertia and the lack of a coordinated agenda

In the third place, the organic cotton sector faces a lack of organization. A critical factor for assurance delivery in commodity sectors is the involvement of industry within clear and inclusive governance structures. However, in the organic cotton sector, governance and agenda-setting remains fragmented between various national production standards, diverse chain of custody standards (TE, OCS, GOTS, Fairtrade Organic), as well as several industry platforms. Finally, there is not one single traceability system covering all steps in production, nor one which unifies and covers the different chain of custody standards. This means stakeholders cannot fully rely on current procedures and systems to guarantee the integrity of the organic cotton they purchase, cannot get a holistic understanding of the sector, and are unable to tailor their programs in promoting organic farming to local needs or to initiatives undertaken by others in the value chain or sector (van Duijn & Hesp, 2016).

IV. The risk of reputational damage to the organic cotton sector means we have only limited time to fix its problems

In the fourth place, these problems threaten the reputation of organic cotton as a whole. Recent years have already seen a number of high-profile media critiques on the environmental and economic benefits of organic cotton. If the underlying problems in organic cotton persist for much longer, these critiques are likely to grow—and gain in public credibility. In the long term, that may reduce consumer demand for organic cotton, causing investors and brands to lose faith in the standard. This means that we cannot rest on our laurels and assume that the organic cotton sector can somehow outlast its problems. Instead, continuing down the current trajectory will result in the sector becoming less and less attractive to farmers, brands, and consumers.

In a very real sense, we are facing a closing window of opportunity within which to unlock the real business case of organic cotton—and to demonstrate its value to farmers, brands, and the world. In the next few years, the organic cotton sector must go up—or it may well go out.
Our challenges crippling the organic cotton sector

Without collaborative sector action, the organic cotton claim will lose its credibility and the sector will start seeing its buyers moving away to other sustainable fiber alternatives. It is only through increased traceability of products origin, transparency on supply chains and an inclusive governance structure that the organic cotton sector can be a viable sector of choice that benefits all, from farmer to consumer.

Fortunately, the problems in the organic cotton sector do not reflect a lack of consumer awareness, nor brand disinterest. Indeed, if anything the opposite is true: there is a strong consumers desire for organic cotton; brands actively pursue it in their sourcing strategies and value chain engagement, and farmers are willing to attempt it—given fair conditions. Initiatives such as the Organic Cotton Accelerator (OCA) are gaining traction and experiencing robust industry interest, with major sector brands coming together to create a viable and robust farmer business case—whether by ensuring access to quality organic seeds; charting opportunities and pitfalls across the value chain, or by improving supply chain transparency and traceability.

Moreover, recent years have seen persistent and large-scale investment in initiatives promoting organic cotton, including grants by funders, financing instruments provided by investors; in-field training and capacity-building programs by facilitators; provision of best practices and technical assistance, as well as awareness campaigns by implementers, and establishing of trade partnerships and ‘exporter toolkits’ by trade promotors. Furthermore, this enthusiasm is mirrored in local production regions: for instance, in India, the government has formulated a range of national programs at different department level.

The bottleneck which has limited the sector, therefore, has not been about the quantity of initiatives or funds; instead, the impact has largely been constrained by a lack of coordination, direction and alignment of initiatives, resulting in duplication of effort or a lack of opportunity for learning and continuous improvement between initiatives. To avert a future decline in organic cotton cultivation—which would come at considerable environmental costs and might be hard to reverse—public and private stakeholders in the sector need to join forces and take steps towards solving the problems faced by organic cotton farmers in the short term, and to create a sector that is viable in the long term. What is needed to achieve a shift in this trajectory, is a coherent vision, a concrete sector agenda, a measurable progress framework, and an experienced sector organization.

To achieve this, would be a step. Not just towards realizing the concrete sustainable production patterns envisioned in SDG Goal 12. It would also serve as a key blueprint and best standard for global efforts towards SDG Goal 17, with its emphasis on revitalized and enhanced global partnerships working towards equitable progress. Critically, since apparel is a highly visible consumer product, such progress would, in a very direct way, highlight to consumers in developed nations the progress we can make, and are making, and will continue to make, towards the Sustainable Development Goals. In this way, restoring the organic cotton sector will represent not just a high-profile victory towards these SDGs, but will also stand as an inspiring example and proof—that change is possible, and that we can all contribute to that better, more sustainable world.
About OCA

The Organic Cotton Accelerator (OCA) is a multi-stakeholder initiative, focused on creating a prosperous organic cotton sector which benefits everyone—from farmer to consumer. This is one of a series of papers that explain the challenges the organic cotton sector is currently facing, and the proposed solutions that OCA and its partners are working on to come to structural sector change.

www.organiccottonaccelerator.org

About NewForesight

This paper is authored by NewForesight, the go-to consultancy for turning tough sustainability challenges into shared opportunities. NewForesight has a strong track record in bringing different stakeholders together to ignite sustainable market transformations in sectors ranging from cocoa to cotton.

At present NewForesight acts as the interim OCA secretariat, to further drive OCA’s strategy, structure and programs.

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