



Report on Some Specialty Cottons: Organic, Fair Trade, and Cotton Made in Africa¹

Introduction

Over the last decade, due to increased global awareness about rural poverty, climate change and sustainability, and an extended period of fast growth in income per capita, projects to improve agricultural practices in developing countries as well as the level of social and environmental responsibility in developed countries have mushroomed. In the cotton sector, the three mayor initiatives to certify or verify cotton and cotton products are: organic cotton, Fairtrade cotton, and Cotton made in Africa. While the organic certification focuses mainly on the farming system and environmental sustainability, Fairtrade and the Cotton made in Africa standards also focus on tackling rural poverty.

Organic Cotton²

Organic cotton fiber is used in everything from personal care items (sanitary products, make-up removal pads, cotton puffs and ear swabs), to home furnishings (towels, bathrobes, sheets, blankets, bedding), children's products (toys, diapers), clothes of all kinds and styles (whether for lounging, sports or the workplace), and even stationery and note cards. In addition, organic cottonseed is used for animal feed, and organic cottonseed oil is used in a variety of food products, including cookies and chips. Some apparel companies that support organic cotton are Nike, Patagonia, Timberland, Indigenous Designs, and Mountain Equipment Co-op.³

Organic refers to the way agricultural products are grown and processed. It includes a system of production, processing, distribution and sales that assures consumers that the products maintain the organic integrity that begins on the farm.⁴

According to the Organic Exchange, founded in 2002, "organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers or genetically-modified seeds."⁵ Table 1 summarizes the differences between organic and conventional cotton farming systems. It must be noted, however, that fiber properties of organic cotton are to the same as those of conventional cotton grown in the same geographical region. Furthermore, in order for a product to be labeled as produced from "organic cotton", cotton produced "organically" requires a certification valid for the country where the product is to be sold. The certification is obtained from one of various accredited independent organization.

Table 1. Differences between the Organic and the Conventional Cotton Farming System⁶

	Conventional Cotton	Organic Cotton
Biotech Seeds	May be used	Cannot be used
Seed Preparation	May treat seeds with fungicides and insecticides	Uses untreated seeds
Fertilizer	May apply synthetic fertilizer	Uses organic matter as fertilizer
Crop rotation	Production may be mono-crop (no crop rotation)	Must rotate crops
Irrigation	May be irrigated	Focus on water retention rather than on irrigation
Weed Control	May apply herbicides (chemical destruction of weeds)	Physical removal of weeds: cultivation and hand hoeing

¹ Presented at the 504th Standing Committee Meeting of the ICAC, New York, April 9, 2010.

² Unless noted, sourced from the Organic Exchange, <http://organicexchange.org/>

³ Organic Trade Association, <http://www.ota.com/>

⁴ Organic Trade Association, <http://www.ota.com/>

⁵ "Genetically-modified" is an imprecise term in common use. The correct term is "biotech".

⁶ Adapted from <http://organicexchange.org/Documents/ocsymbiosis.pdf>

Pest Control	May use insecticides and pesticides. May use aerial spraying.	Uses beneficial insects, biological and cultural practices to control insects and weeds. May use trap crops to lure insects away from cotton.
Harvesting	May use chemical defoliant	Relies on the seasonal freeze for defoliation. May stimulate defoliation through water management.

Currently, a number of countries have issued government standards for organic farming production: the US (USDA National Organic Program), the EU (EEC 2092/2091), Japan (JAS), Australia (Australian Certified Organic), and India (India Organic - National Programme for Organic Production).

The general steps to obtain organic certification for cotton are:

- Submit an application to an accredited independent third party certifier
- Develop a farm plan for ecosystem management
- Develop an internal control system, including record keeping
- Pass annual inspections by certifier
- Go through a transition period of 2-3 years depending on the standards

However, in Europe, North America and Japan there are no legal requirements to certify the processing of organic fibers, i.e. no government standards have been developed beyond the farm gate. The organic fiber must be segregated, labeled and processed on a cleaned out or dedicated line that is physically isolated. The processor must have a system in place to track the organic fiber as it moves through production.

According to the *Organic Exchange Farm and Fiber Report 2009*, organic cotton was grown in 22 countries with the top ten producer countries being led by India, and including (in order of rank) Turkey, Syria, Tanzania, China, United States, Uganda, Peru, Egypt and Burkina Faso. Approximately 220,000 farmers grew the fiber. World organic cotton production amounted to 175,113 metric tons in 2008/09, 20% higher than in 2007/08, and was grown on 253,000 hectares. Organic cotton represents less than 1% of global cotton production.⁷

In the United States, the average organic cotton yield amounted to about 90% of the average conventional cotton yield in 2007/08 (889 kg/ha vs. 985 kg/ha). However, that percentage fell to about 60% in 2008/09 (520 kg/ha vs. 911 kg/ha), due to extremely difficult weather conditions, including wind, hail and drought, in 2008/09 in contrast to excellent growing conditions in 2007/08.⁸

According to a survey conducted by the Organic Trade Association, when asked about the greatest barriers to planting more cotton in 2010, US organic cotton growers cited finding a market for their cotton, finding a market that will pay value-added costs of organic products, production challenges such as weeds and insects, weed control, and labor costs. Growers also cited competition from international organic cotton producers as well as the cost of transition to organic.⁹

The same survey revealed that the average price per pound US farmers received for organic upland cotton in 2008 ranged from 52 cents to \$1.35, compared to a range of 52 cents to 66 cents received for conventional cotton. In 2007, the range of prices received for organic upland cotton was \$1 to \$1.50, compared to a range of prices of 44 cents to 60 cents received for conventional cotton.

The market for organic cotton is limited by the cost of production of the fiber and the labeling costs throughout the supply chain on the supply side, and by competition with other fibers advertised as “green

⁷ http://organicexchange.org/oecms/images/stories/OE_2009_Farm_and_Fiber_Press_Release_0210_Final.pdf

⁸ Data on organic yield from http://www.ota.com/organic/mt/organic_cotton.html

⁹ http://www.ota.com/organic/mt/organic_cotton.html

fibers”, “environmentally friendly” or “sustainable” fibers, such as recycled polyester or fibers made out of recycled plastic bottles. Furthermore, promotional efforts and disposable income are critical variables in determining the size of the organic cotton market.

Organic cotton is not contracted, i.e. cotton farmers gain access to the market for organic products by obtaining the organic certification, but there is no guarantee that they will actually be able to sell their organic cotton and receive a price premium over conventional cotton.

Fair Trade Cotton¹⁰

Fairtrade is promoted as an alternative approach to conventional trade and is based on a partnership between producers and consumers. Fairtrade is intended to offer producers a better deal and improved terms of trade, and consumers a way to reduce poverty through their every day shopping. The Fairtrade Labelling Organizations International (FLO) is the association that sets international Fairtrade standards and supports Fairtrade producers.

Cotton was first introduced to the list of Fairtrade products in 2004. Fairtrade cotton producers are usually small family farms organized in cooperatives or associations which the farmers own and govern democratically. The only exception is in India and Pakistan, where some cotton producing communities are not organized in cooperatives, but are selling to a Promoting Body. The Promoting Body is responsible for passing back to the individual farmers the extra benefits generated by Fairtrade sales.

By selling to the Fairtrade market, cotton farmers receive: (1) a minimum price which covers the costs of sustainable production (revised periodically), and (2) a Fairtrade Premium which allows them to invest in community projects, such as schools, roads or health care facilities.

The Fairtrade minimum prices for cotton are set at different levels depending on the producing region. The minimum prices cover the costs of sustainable production. Furthermore, if the market price is higher than the Fairtrade minimum price, the market price applies.

In addition to the Fairtrade price, buyers must pay a Fairtrade Premium of US 5 cents per kilogram of Fairtrade seedcotton. This is used by the producer organizations for social and economic investments such as education and health services, processing equipment and loans to members.

Pre-export lines of credit are given to the producer organizations if requested, of up to 60 % of the purchase price.

Fairtrade cotton can be organic but is not necessarily so. Fairtrade minimum prices for organic cotton are set 20 percent higher than the Fairtrade conventional minimum prices.

Fairtrade maintains environmental standards based on the international recommendations of the UN Environment Programme, such as the strict control of chemicals and reductions in pesticides on the Pesticide Action Network’s Dirty Dozen list, because they can be harmful to the environment and health. Fairtrade also encourages sustainable farming so farmers establish their own environmental development plans to ensure that where possible, waste is managed, materials are recycled, and steps are taken to avoid soil erosion and water pollution. Genetically modified seeds are also forbidden.¹¹

Every operator in the supply chain that takes ownership of Fairtrade cotton and uses it in the processing and/or manufacturing of Fairtrade products until the point of licensing must demonstrate efforts to comply with the following ILO Conventions before it can be approved by the certification body to start processing and/or manufacturing FT cotton:

- 001 Hours of work [1919]
- 029 Forced Labor [1930]
- 087 Freedom of Association and Protection of the Right to Organize [1948]
- 098 Right to Organize and Collective Bargaining [1949]
- 100 Equal remuneration [1951]
- 105 Abolition of Forced Labor [1957]
- 111 Discrimination (Employment and Occupation) [1958]

¹⁰ Source: <http://www.fairtrade.net/cotton.html>

¹¹ Source: http://www.fairtrade.org.uk/products/cotton/questions_answers.aspx

- 131 Minimum wage fixing [1970]
- 138 Minimum Age Convention [1973]
- 155 Occupational Safety and Health [1981]
- 182 Elimination of the Worst Forms of Child Labor [1999]

Where the operator is using a sub-contractor for processing and/or manufacturing of cotton products (including ginning, spinning, weaving, knitting, laundry, dyeing and/or embellishment), the operator must demonstrate how the sub-contractor has made progress towards compliance with the ILO conventions before the sub-contractor can be approved by the certification body to start processing and/or manufacturing Fairtrade cotton. The operator must re-submit its demonstration of efforts every two years.

According to the FLO Annual Report, by the end of 2008 over 27.6 million items made of Fairtrade certified cotton were sold, almost double the sales of 2007. About 2.3 million items were also certified organic. No other statistics are available to determine the size of the Fairtrade cotton market.

Similarly to the organic cotton program described in the previous section, Fairtrade cotton does not guarantee that cotton growers will actually be able to sell their production. However, Fairtrade *does* guarantee a minimum price and a Fairtrade premium if certified cotton gets sold.

There are 33 Fairtrade cotton producer groups in India, Burkina Faso, Cameroon, Mali, Senegal, Brazil, Egypt, Peru and Kyrgyzstan. West Africa and India are the biggest cotton-producing areas. As a result of the global economic crisis and the lack of long-term contracts with buyers, some Fairtrade certified cotton producers in West Africa could not sell their production in 2008/09.

Fairtrade is often confused with fair trade (two words) and ethical sourcing. The generic term fair trade has been used for many years and is used by many companies to define their way of working with suppliers and producers. The Fairtrade Mark signals that the product has been sourced using Fairtrade cotton from a certified producer from a transparent supply chain. Ethical trading companies such as People Tree, Gossypium and Bishopston work very closely with their supply chains and guarantee that their products are sourced ethically.

Cotton Made in Africa¹²

Cotton Made in Africa (CmiA) is intended to help smallholders and their families in Africa to improve their livelihood and their environment. The goals of the CmiA project are (1) to improve cotton growing, moving towards sustainable production, (2) to enhance the competitiveness of African cotton, and (3) to add a new dimension of corporate responsibility along the textile supply chain.

The target population of cotton growers is small scale farmers in Africa that produce cotton in rain-fed areas and under crop rotation schemes with basic food crops.

CmiA intends to promote development towards sustainable cotton growing by specifying, measuring and monitoring indicators for the percentage of children with primary school education, efficiency of water use, fertilizer and pesticide use, and providing access to markets that can ensure that farmers will be able to earn their living through higher prices received for their cotton. Two criteria that are pre-conditions for CmiA cotton are: no hazardous work or child labor should be used within the cotton production chain, and cotton should not be grown on land allocated to nature by national laws. The term "sustainability", according to the CmiA project, stands for harmony between the economic, social and environmental components of cotton production.

CmiA intends to enhance the competitiveness of African cotton by improving the social and environmental conditions of cotton growing, supported by the transmission of the know-how of the project partners about optimal management practices right from the start of growing, and in the first stages of processing through appropriate training of farmers in "Farmer Field Schools".

The added dimension of corporate responsibility is expected to result in higher value-added to the final textile product.

¹² Source: <http://www.cotton-made-in-africa.com/>

CmiA intends to feed Cotton made in Africa smoothly into the value-added chains of large trading companies with their global buying markets, thousands of suppliers and new fashion trends. The targeted demand segment is price-conscious consumers interested in promoting African development through sustainable practices. This is a significant difference with Fairtrade and organic cotton, which are certification schemes designed to access niche high-end markets.

The Cotton made in Africa project is maintained by the Aid by Trade Foundation, founded in 2005. The project is supported by a broad alliance of partners, coordinated by a project advisory board. The CmiA strategic alliance includes partners in industry, the public sector, the research community, and non-governmental organizations. The following strategic partners contribute to the CmiA initiative both with their financial support and through general and technical consulting: 1888 Mills Inc. (USA), Accenture, Avery Dennison Information and Brand Management Division (IBMD), Bill & Melinda Gates Foundation, the German Ministry for Economic Cooperation and Development (BMZ), the German Investment and Development Company (DEG), the German famine relief organization Deutsche Welthungerhilfe, Dunavant S.A., Faso Coton, the German Society for Technical Cooperation (GTZ), McCann Erickson, the Nature and Biodiversity Conservation Union (NABU), the North Rhine-Westphalian Foundation for the Environment and Development, the Otto Group, the REWE Group, Tchibo GmbH, Tom Tailor AG, Alterra-Universität Wageningen, Somdiaa, and the World Wide Fund For Nature.

CmiA is working to establish a demand alliance for African cotton. The following companies are already considered part of the demand alliance: 1888 Mills, Anson's, APART, Baur, Bierbaum Unternehmensgruppe, Bodet & Horst, Celio, Edgars (South Africa), Engelhorn, f.a.n. Frankenstolz Schlafkomfort, Frankonia, Heine, Hirmer, H.I.S. Jeans, Mattes & Ammann, Mustang Jeans, Monks (Belgium), OTTO, Peek&Cloppenburg, PKZ, Puma, QVC, REWE Group, Schwab, s.Oliver, Tchibo, Tisseray & Cie., Tom Tailor, 3suisses, and Witt Weiden.

Around 130,000 small farmers in Africa are involved in the project and 85,000 tons of cotton are produced annually, accounting for less than half a percentage point of world cotton production. Cotton farmers from Burkina Faso, Benin, Zambia, and Mozambique are participating in the project, and small farmers in Malawi and Ivory Coast will be integrated into the Cotton Made in Africa program later this year. According to CmiA, the yields of participating farmers in Zambia have more than doubled since the project was initiated. The Aid by Trade Foundation is also working with cotton spinning plants in Ethiopia, Egypt, and South Africa, as well as on the island of Mauritius. The project's first year saw over half a million textile items produced from CmiA cotton. For the year 2010, more than ten million items are expected to be marketed by 22 retail companies in Europe and North America.

Besides the above cited difference between CmiA and Fairtrade regarding the targeted demand segment, the other major difference relies on the verification methods: while Fairtrade certifies cotton from developing countries according to a catalog of criteria developed by the FLO, the CmiA verification system was drafted at Wageningen University in the Netherlands and further developed by the consulting firm PriceWaterhouseCoopers, and each step of the supply chain (methods of cultivation, transport, ginning, and storage of raw cotton) is verified independently.

CmiA is considered complementary to organic cotton, since they target different market segments, and the CmiA project cooperates regularly with organizations like Organic Exchange that are devoted to promoting the cultivation of organic cotton in Africa and elsewhere.

Cotton Made in Africa has imposed a three-year moratorium on the cultivation of biotech cotton, despite objections from several of their African partners: they want to use biotech seed even though the resulting cotton cannot be marketed as CmiA.

The first complete independent verification of Cotton made in Africa farmers and ginneries is well under way and will be concluded by mid-May 2010.

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504th SCM of the ICAC
New York, NY
April 9, 2010



Social and Environmental Responsibility

- Increased awareness about
 - rural poverty
 - climate change
 - Sustainability
- + Extended period of fast growth in income/capita
- ➔ Emergence of initiatives to improve 1) agricultural practices in developing countries and 2) the level of social and environmental responsibility in developed countries.

Outline

1. Organic Cotton (from the early 1990s)
2. Fair Trade Cotton (from 2004)
3. Cotton made in Africa (from 2005)

Organic Cotton

“Organic production is based on a system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers or genetically-modified seeds.”
(Source: Organic Exchange)

Organic Cotton

For a product to be labeled as produced from organic cotton, cotton requires a **certification** valid in the country where the product is sold. The certification is obtained from an accredited independent organization.

National standards for organic farming production: the US, the EU, Japan, Australia, and India .

Organic vs. Conventional Cotton

	Conventional Cotton	Organic Cotton
Biotech Seeds	May be used	Cannot be used
Seed Preparation	May treat seeds with fungicides and insecticides	Uses untreated seeds
Fertilizer	May apply synthetic fertilizer	Uses organic matter as fertilizer
Crop rotation	Production may be mono-crop (no crop rotation)	Must rotate organic crops
Weed Control	May apply herbicides	Physical removal of weeds: cultivation and hand hoeing
Pest Control	May use insecticides and pesticides.	Uses beneficial insects, biological and cultural practices to control pests.
Harvesting	May use chemical defoliants	Relies on natural defoliation.

Organic Cotton: Facts

- Grown in 22 countries
- Top producers: **India**, Turkey, Syria, Tanzania, China, United States, Uganda, Peru, Egypt and Burkina Faso.
- 2008/09 organic cotton production: 175,000 tons, or less than 1% of total cotton production.

Fairtrade Cotton

Alternative approach to conventional trade

Offers:

- Producers: a better deal and improved terms of trade
- Consumers: a way to reduce poverty through their everyday shopping

Fairtrade Labeling Organization (FLO) sets **international standards** and supports producers

Certification through FLO-Cert

Fairtrade Cotton: Facts

By selling FT cotton, farmers receive:

- **A minimum price** which covers the cost of sustainable production (revised periodically), and
- **A premium** (social premium) which allows them to invest in community projects, such as schools, roads or health care facilities.

Farmers organizations usually manage the income from the premium.

Cotton can be both organic and Fairtrade

Fairtrade Cotton: Facts (cont'd)

- Fairtrade maintains environmental standards.
- Biotech seeds are banned.
- Every operator in the supply chain must demonstrate efforts to comply with ILO Conventions
- 33 cotton producer groups in India, Burkina Faso, Cameroon, Mali, Senegal, Brazil, Egypt, Peru and Kyrgyzstan.
- **West Africa and India** are the biggest FT cotton-producing areas.

Cotton made in Africa

- CmiA is intended to help smallholders and their families in **Africa** to improve their livelihood and the environment.
- Goals:
 - to improve cotton growing, moving towards sustainable production,
 - to enhance the competitiveness of African cotton, and
 - to add a new dimension of **corporate responsibility** along the textile supply chain.

Cotton made in Africa: Facts

- Cotton growers are small scale farmers in rain-fed areas, rotate cotton basic food crops.
- CmiA monitors indicators: % of children with primary school education, efficiency of water use, fertilizer and pesticide use.
- CmiA provides access to markets at a higher price
- **No hazardous work or child labor** should be used within the cotton production chain, and cotton should not be grown on land allocated to nature by national laws.
- CmiA uses Farmer Field Schools
- CmiA targets large retail chains for **price-conscious** consumers

Cotton made in Africa: Facts (cont'd)

- Burkina Faso, Benin, Zambia, and Mozambique are participating in the project, and small farmers in Malawi and Ivory Coast will be integrated into the Cotton Made in Africa program later this year.
- Also working with cotton spinning plants in Ethiopia, Egypt, and South Africa, as well as on the island of Mauritius.

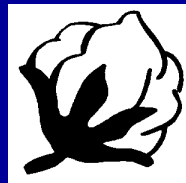
Comparison

	Organic	Fair Trade	Made in Africa
Number of farmers	220,000		130,000
World Production (metric tons)	175,113 (2008/09)		85,000 (average)
Sales (million items)		27.6 (2008) 8% also Organic	10 (expected 2010)
Number of producing countries	22	9	4 (6 by end 2010)
Biotech seeds	Banned	Banned	Temporarily Banned
Top producers	(1) India, (2) Turkey	(1) West Africa, (2) India	Zambia
Certification/Verification	Varies by country	FLO-Cert	In development

Specialty Cottons

- Cotton production from OC, FT, and CmiA adds to less than 2% of world cotton production
- Main barriers to expansion: costly certification, lower than regional average yields, and NO guarantee of selling the certified production.

Thank you for your attention!



69TH PLENARY MEETING
OF THE INTERNATIONAL
COTTON ADVISORY
COMMITTEE

Lubbock, Texas, USA
September 20 to 25, 2010

Online registration starts May 1st 2010 at www.icaa.org
For more information about the meeting, contact the office
of the Secretariat in Washington, DC, USA.
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