TextileExchange

Organic Cotton Market Report 2014

Companion Slide Deck

What's Inside

Presented by:
Liesl Truscott, European & Farm Engagement Director
Evonne Tan, Design & Analytics Specialist

Cover page photo: Cream Workwear

Scene Setting


Volcom

- TE's signature product since 2009.
- The only comprehensive reporting on the organic cotton market from farm to retail.
- Aim for a balance of data and story-telling.
- Moving from static reporting of data to a solution finding tool; use of mini-case studies.
- Showing that companies who are leading in sustainability are also driving product design, innovation, and creativity.
- The final report has been shaped by the input, data, stories and photography of all the contributors.
- Not just looking at the organic cotton sector but how it sits within the broader landscape of sustainable lifestyles and health.

Data Collection Methodology & Process Flow

1. Survey Completed
2. Review Survey
3. Clarification
4. Update Gaps
5. Finalize Data
6. Data Analysis
7. Prepare Reports
   - Organic Cotton Market Report
   - Preferred Fiber Market Report
   - Benchmarking Report
   - Customized Benchmark Feedback

Market Survey

- Surveys were completed between February – April 2015.
- Data was collected from 57 brands from 14 countries.
- Responses to surveys are on a voluntary basis. All information entered by brands and retailers is considered accurate and up-to-date.
- Where data gaps or inconsistency are found, all attempts are made to complete or clarify.
- Surveys were managed through Probench, our online benchmarking tool developed by 73bit.

Farm Survey

- OC production data was collected from 50 producer groups and sector bodies across 19 countries by our regional colleagues or with support from NGOs and other partners.
- All attempts are made to verify or cross-check against certifiers records, national level authorities and associations, NGOs, and other experts.
- Data from other initiatives is collected directly from the respective secretariats. No attempt to verify data is made.

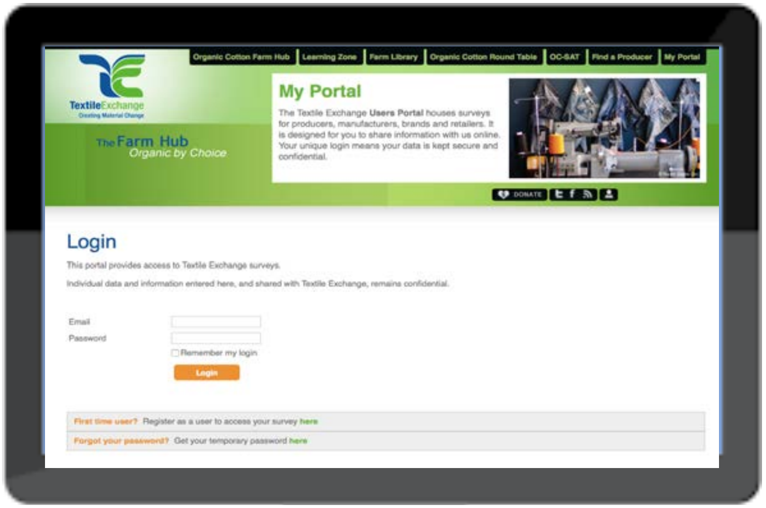
Challenges & Limitations

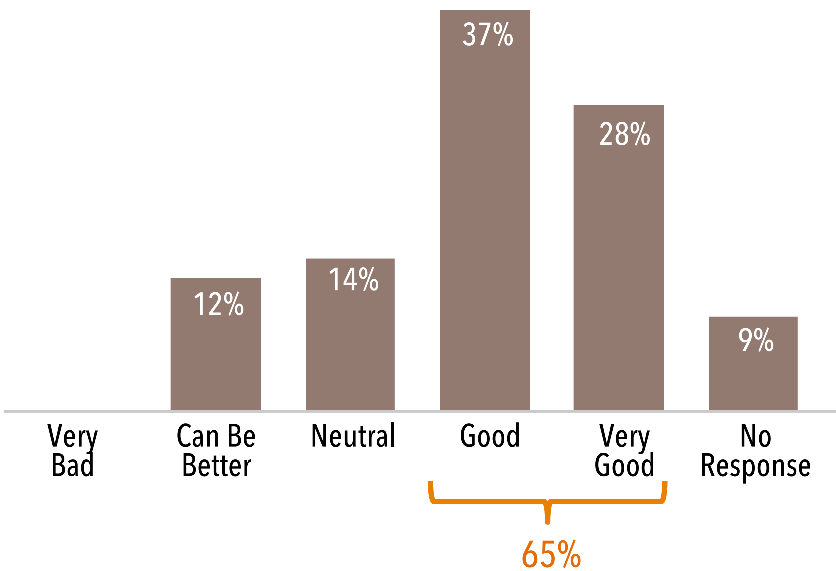
- Completeness of the report is dependent upon disclosure and accuracy of data gathered.
- Aligning different methodologies of calculating fiber yields, usage and wastages, etc.

Organic Cotton & Preferred Fiber Survey Framework

Section 1 Strategy	Section 2 Supply Chain	Section 3 Fiber Usage	Section 4 Sales & Marketing
Q1. Sustainability Vision/ Mission	Q9. Supply Chain Mapping	Q15/18. Investment History	Q21. Product Range
Q2. Sustainability Strategy	Q10-12. Voluntary Standards	Q16/19. Breakdown of Overall Usage	Q22. Product Labeling
Q3. Policies	Q13. Value Chain Tracking	Q17/20. Reported Usage	Q23. Key Markets
Q4. Overall Target	Q14. Value Chain Engagement		Q24. Retail Sales
Q5. Specific Targets			Q25. Sustainability Attributes
Q6. Use of Rating Systems			Q26. Product Differentiation & Fiscal Benefits
Q7. Responsibility			Q27. Consumer Education & Evaluation
Q8. Reporting			

TE Portal: Technical Platform





System Updates:

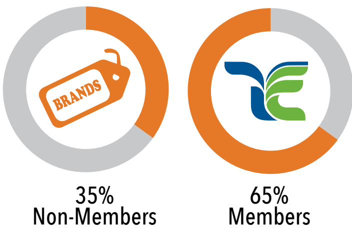
- Improved look and feel of survey portal: personalized entry via "My Portal"
- Platform for brands, mills and producers – allowing survey selection
- Changed registration process to improve user experience and security
- Updated noticeboard for multiple users
- Developed survey guidelines
- Introduced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

Questions:

1. How can we make the experience even better?
2. What would you like to see added/removed/changed in the market survey and your customized benchmark?

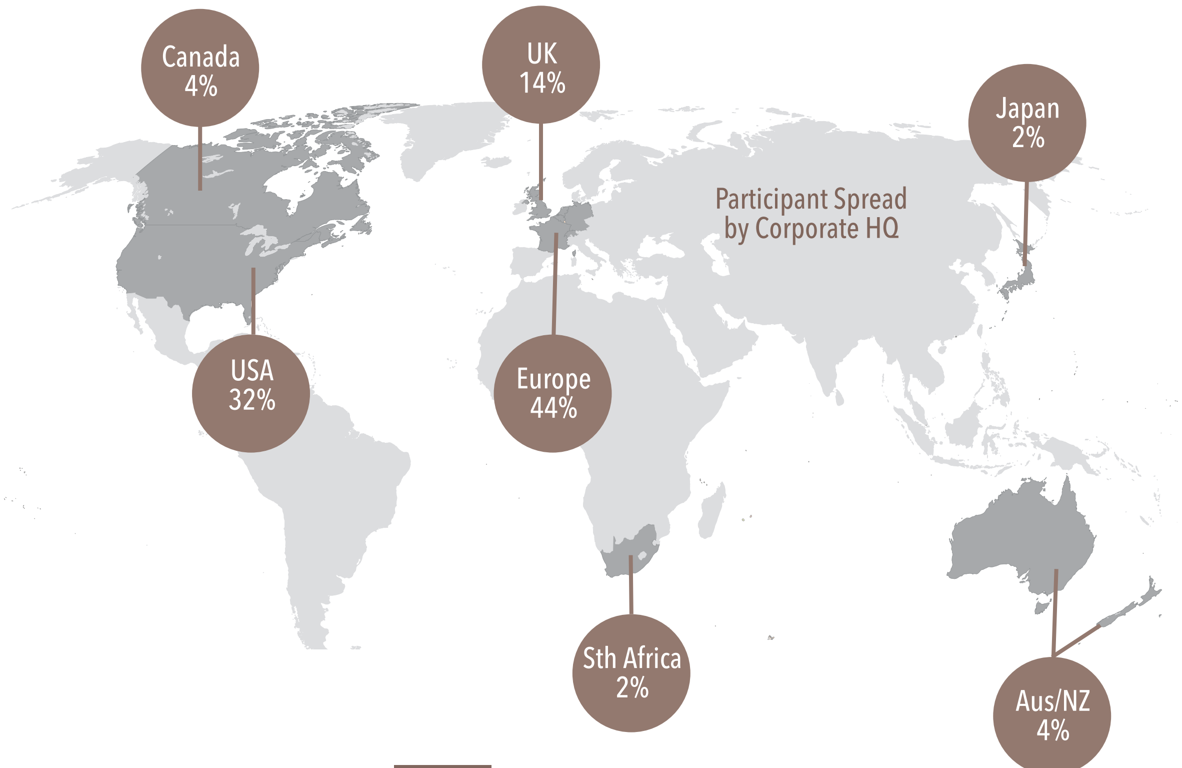
Participant Profile

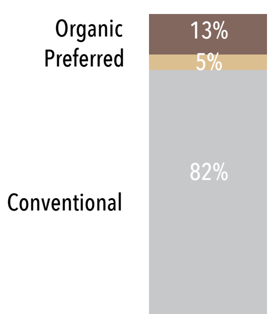
57 companies participated in this year's market survey (152% growth).



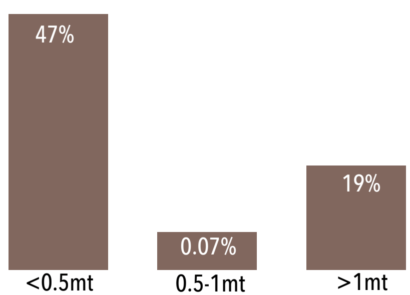
TE Membership Status

Participants by Retail Category

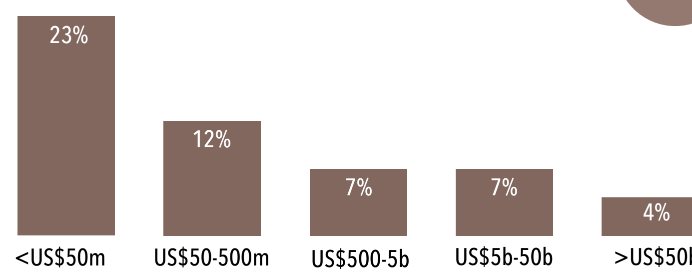




Cotton Usage Breakdown



Participants by Usage



Participants by Turnover

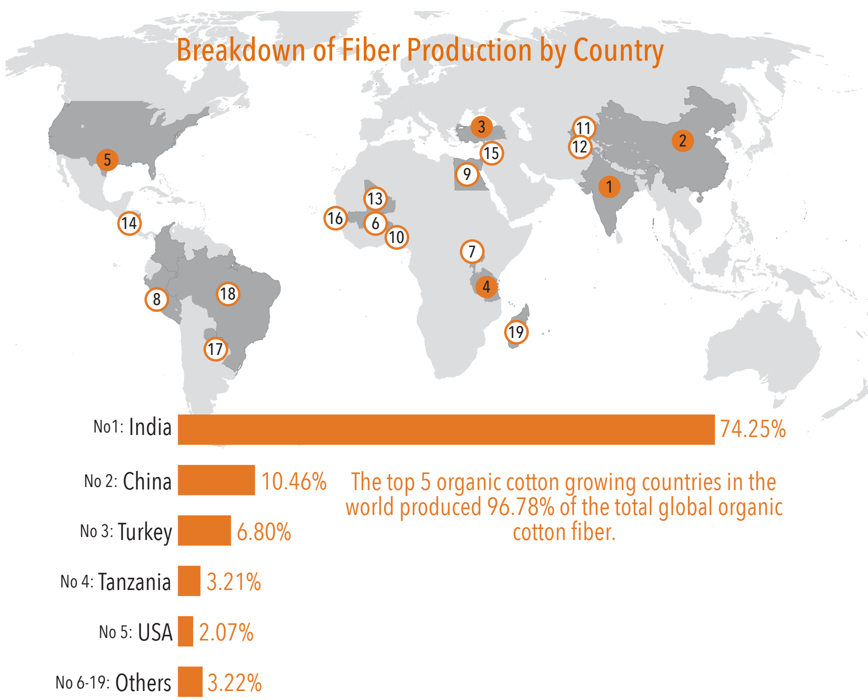
Production Profile

947,971 Farmers | 10,517 Women (7%) – Data Incomplete

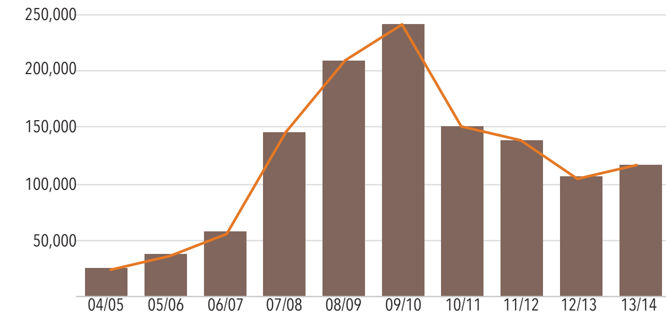
220,765 ha Land (ave. 4.3 ha per farmer) | 116,974 mt Fiber

34,572 ha in Conversion | 530 kg/ha Global Average Yield

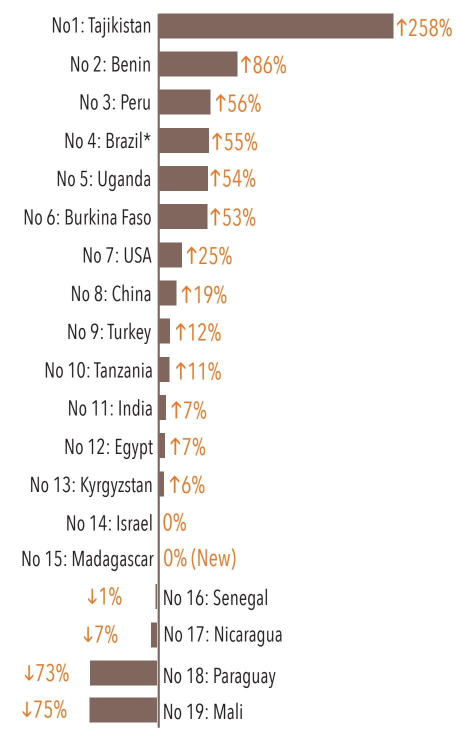
19 Countries (+ 3 In Transition) | ↑ 15-20% Growth Next Year



Global Fiber Production Trend (mt)



Growth Chart 2012/13- 13/14



Market Review

15.7bn Market Value (USD)

56% Have Specific Targets For Organic Cotton

35% Publicly Report On Progress Against KPIs

42% Use Voluntary Standards Label On Final Product

81% Promote The Sustainability Attributes Of Their Products

53% Link Sustainability Attributes To Business Benefits

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

Market Value of Organic Cotton

The estimated value of the total volume of organic cotton consumed based on the value addition from seed cotton through to the final retail product.

Company League Tables

	Top 10 Users By Volume	Top 10 Users By Growth	Race To The Top
1	C&A	Woolworths	Nudie Jeans co
2	H&M	dibella	aventura
3	Tchibo	stanley stella	KUYICHI
4	DECATHLON	EILEEN FISHER	Tchibo
5	NIKE	C&A	EILEEN FISHER
6	Carrefour	Tchibo	prAna
7	TARGET	H&M	Kathmandu
8	LINDEX	prAna	STELLA McCARTNEY
9	INDITEX	LINDEX	
=9			CONTINENTAL
=9			seasalt CORNWALL
10	PUMA	INDITEX	skunkfunk

100% Club

- COYUCHI
- naturaline BIO & FAIR
- FABRIC & ORGANIC TENERITA
- ALANA
- cream WORKWEAR
- UNDER the CANOPY
- LOOMSTATE
- bgreen apparel
- patagonia
- armedangels
- PACT
- Arthur & Henry
- VAUDE
- naturepedic
- stanley stella
- greenfibres eco pioneers since 1996
- cotonea

- C&A and H&M continue to lead the industry in the Top 10 Users By Volume with Tchibo demonstrating rapid growth and a strong commitment to organic.
- The total amount of organic cotton used by the top 10 brands has grown by 25% since 2013 and shows an average growth in consumption of over 108%.
- The 100% Club comprises of 16 brand entries (28%) which use only certified organic cotton.
- Race To The Top celebrates those companies who are converting their ranges to organic cotton (does not include those who use 100% organic cotton).

Not One Size Fits All

Survey responses allowed us to create generalized company profiles. We generated three broad themes:

Organic Centric

Organic is central to brand identity

Sustainability Centric

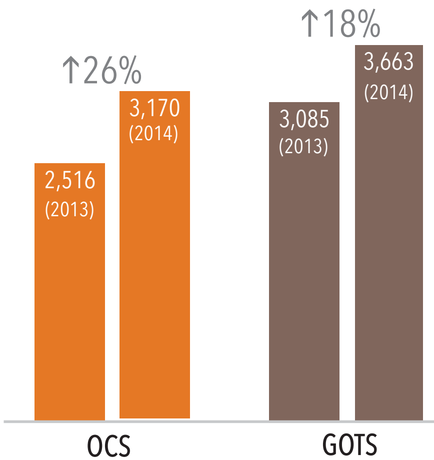
Sustainability is central to brand identity

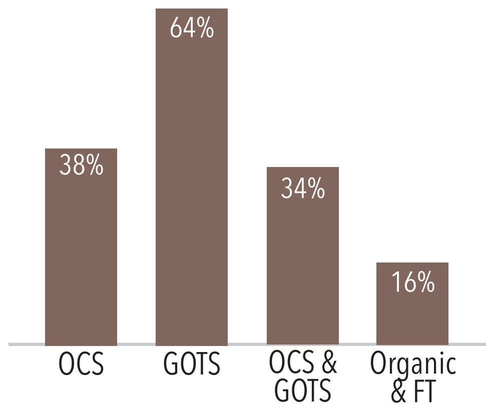
Future Proofing

Sustainability is a growing concern for brand identity

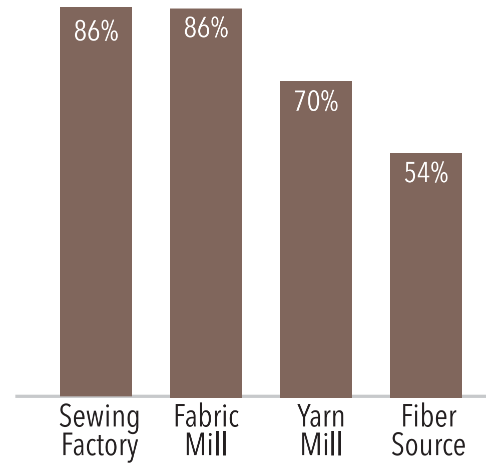
In the report we provide 23 "mini case studies" and 25 inspiring quotes from retailers, brands, manufacturers, producer organizations and other key stakeholders.

Supply Chain & Integrity





Brands using voluntary standards to verify source of organic cotton



Brands that carry out supply chain mapping for organic cotton

GOTS Certified factories in 64 countries & OCS in 45 countries

73%
Use voluntary standards in supply chain

40%
Brands working with value chain to secure supply

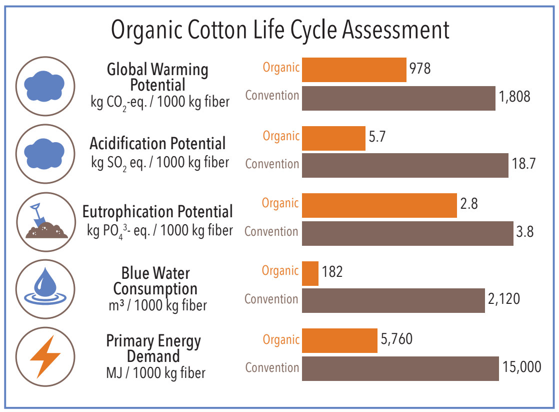
Farm Review

Highlights From The Farm

1. Global production rises 10% after 3 years of decline.
2. India maintains lead position and achieves 7% growth.
3. Peru grows 56% in response to market demand.
4. Fiber production estimated to reach 20,000 mt in Turkey over next 3 years.
5. 1,000 large scale organic farms planned for Senegal.
6. China positioned to grow with the right market links.
7. Seed shortages continue but steps are being taken.
8. New Fairtrade partnership model offers flexibility.
9. CmiA-organic harvests its first crop in Tanzania.
10. Funders investing in new organic cotton initiatives.

Assessing The Impacts

LCA & OC-SAT data quantifies impacts:



Organic Cotton Sustainability Assessment Tool (OC-SAT)

Selected key benefits of growing organic cotton:

- **65%** Producer Groups have Fairtrade or decent work policies
- **97%** Producer Groups encourage women participation
- **88%** Producer Groups grow crops for additional income
- **96%** Producer Groups grow crops for own use
- **9** Average number of crops grown by producer groups for cash or own use
- **96%** Producer Groups compost
- **84%** Producer Groups report community benefits associated with organic cotton
- **69%** Producer Groups harvest rainwater

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

- 236.9 billion liters of water = 94,655 Olympic sized pools
- 300.6 million kilowatts of energy = 60w bulb going for 548 years
- 96.3 million kg of CO_2 = driving an average car around the world 14,114 times

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

- 147,971 farmers › 740,000 family members

And kept GMOs, pesticides and synthetic chemicals out of:

- 220,765 ha organic certified land = 413,000 NFL football fields

Securing Supply – It's Everybody's Business



Barriers To Growth For Smallholder Farmers:

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



Challenges For Manufacturers, Brands And Retailers:

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

We Have More To Do

TextileExchange
Organic Cotton Round Table
Platform for Collective Action & Incubator for Great Ideas

The Role Of The OCRT

Tackle the big questions.
Exchange knowledge and experiences.
Initiate and incubate great ideas.


Prathiba Syntex, India

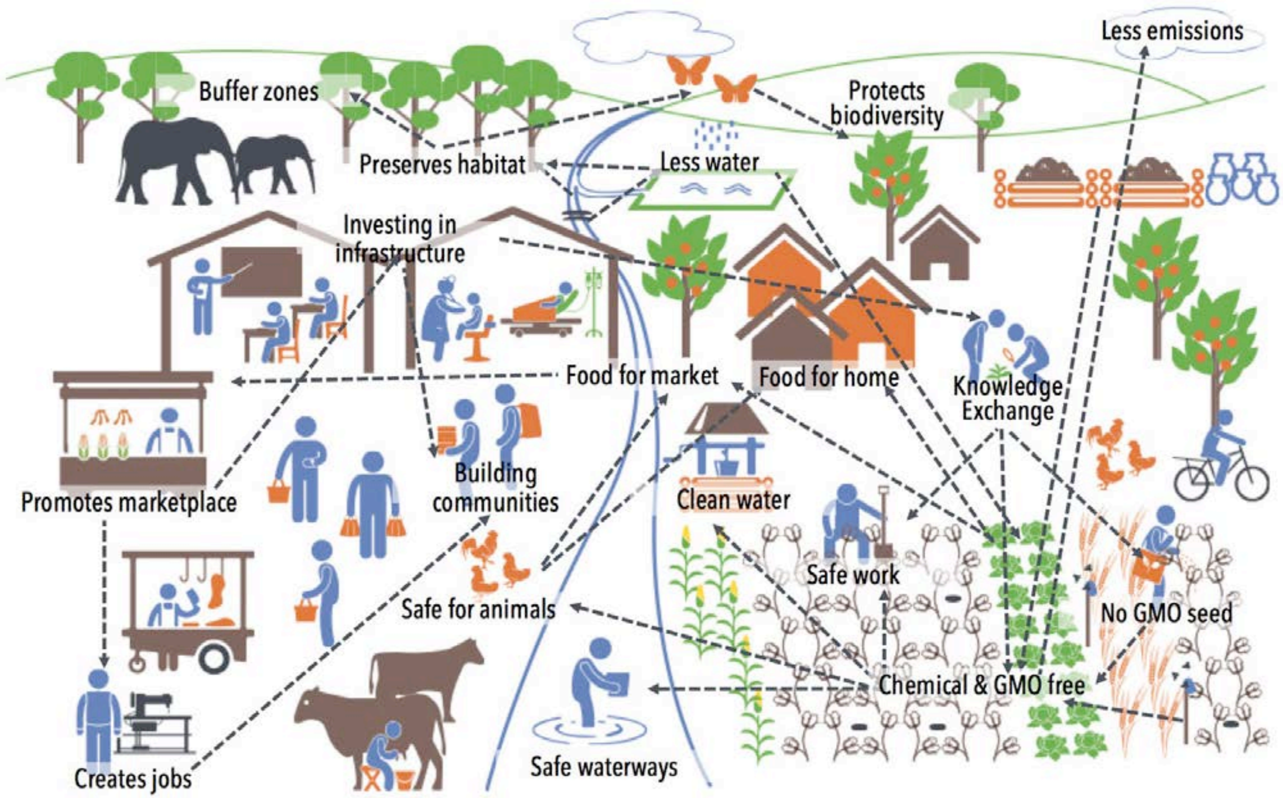
OCRT Task Forces

1. Business Models
2. Seeds & Soils
3. Consumer Engagement

Response to Call to Action

- Chetna Coalition
- Organic Cotton Accelerator
- India's Organic & Fairtrade Cotton Secretariat – Organic Made In India
- Global Seed Inventory
- Organic Cotton Consumer Microsite

Moving To Organic 3.0



Organic 1.0	Organic 2.0	Organic 3.0
Early development of **organic principles and practices** initiated by early leaders.	Our current phase, with small but growing **market presence, taken seriously and heavily regulated**.	Based on an **approach of common interest, mutual support, and organized responsibility** across the value chain from producer to consumer. *Organic 3.0 manifests the Principles of Fairness and Care; it enables the organic movement to expand by being inclusive of more producers, and by building bridges to like-minded organizations and individuals.*

Cotton Initiatives: Working Towards The Same Goal

	e3	BCI Better Cotton Initiative	Sustainable Cotton Project	Cotton Made in Africa	Fairtrade	OCRT Textile Exchange
Objective	To create a more sustainable American landscape	Making the mainstream better	Cleaning Up Cotton In California	Improving Africa through a Demand Alliance	Ensuring income security and community development	Sustaining the health of soils, ecosystems and people
Verification / Certification	Self-evaluation and 3rd party audits	Self-evaluation Partial 2nd and 3rd party sample	2nd party monitoring	3rd party program verification	Verification (annual) Certification by 3rd party	Verification (annual) Certification by 3rd party
Chain of Custody	Field to product	Field to gin	Field to gin	Field to gin	Yes	Yes
GMO Seeds	Yes	Yes	No	No	No	No
Fiber (mt)	111,731	750,000	599	152,034	15,691	116,974
Growth	↑3%	↑20%	↑132%	↑7%	↓8%	↑10%

Share of Overall Cotton Sector

4.4% share 2013/14

↑18%

3.7% share 2012/13

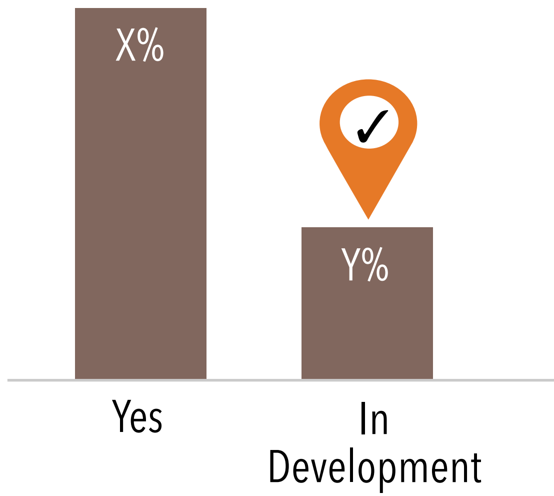
↑1.7%

2% share 2011/12

Coming Up: Benchmarking

Sneak Peek

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



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

Why Benchmark?

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

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

Timeline and Next Steps

Jun'15	Jul'15	Aug'15	Sep'15	Oct'15	Nov-Dec'15	Jan'16	Feb'16
OCMR Release	Benchmarking Analysis & PFMR Release	Benchmarking Results	Consultation Phase	Analyze Findings	Make Improvements	Prepare Survey	Market Survey Reopens

Thank You!

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

www.textileexchange.org