TextileExchange
Creating Material Change

2012 ORGANIC COTTON MARKET REPORT

Executive Summary

with highlights on other preferred fibers

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The full report is available to Textile Exchange Members as a benefit of membership.
Non-Members pay purchase the report, here:

http://textileexchange.org/2012-Market-Report

For more information on becoming a member of Textile Exchange, visit:

http://textileexchange.org/membership

Introduction

Textile Exchange delivers the annual Market Report to provide an in-depth update on the state of organic cotton and highlights on the preferred fiber markets.

The retail **market size** for organic cotton is $8.9 billion alone; when including other more sustainable fiber options the total retail market is a growing force. We are elated that **organic cotton's position in the preferred fiber world is being supported through great results and rankings in studies and indexes** as detailed in this report.

For clarity we need to explain the terms we use in this document. When describing the fibers, materials and market **we consciously use the terms preferred and more sustainable because everything has an impact**. At this point, there are no truly sustainable fibers, materials or markets.

Preferred describes a choice made in selecting better ecologically and socially progressive options through the consideration of impacts and organizational priorities.

More sustainable is a way to convey a message similar to that above, that a fiber, material or product has been selected based on a comparison to other options.

The updates in the report includes **standards**, like the move from the OE standards to the Organic Cotton standard, the new Content Claim standard and **information on the number of fibers and systems claiming sustainability credentials**. We hope the readers of this report will find information that will help them understand and better navigate the entire supply chain while providing solutions that brands and retailers can efficiently and effectively implement.

To set the stage for the preferred fiber market we looked at what was happening with **Global Trends:**

- Last year brought **floods, hurricanes and droughts** that scientists are warning will only become more common.
- **Man-made disasters** including factory fires, building collapse, political unrest and social conflict greatly affected textile, apparel and other businesses as well as devastated communities.
- **Brand and manufacturing consolidation** continues, resulting in fewer players with more power.
- **Near shoring** (making products closer to home) is influencing where fibers and textile products are grown or made.
- **Population growth and changes** in income distribution have become an opportunity and a concern.

In spite of all these complications, more sustainable fiber options continue to gain momentum. **Organic cotton fiber production maintained its footing with an eight percent change** after last year's more drastic drop. Growth continued in other more sustainable cotton options including Fairtrade, CottonConnect's Reel Cotton initiative, Bayer's E3 program, the Better Cotton Initiative (BCI) and Cotton made in Africa (CMiA). **Recycled and renewable fibers use has also grown**.

> "Finding new, innovative ways to invest in the long-term health and sustainability of our communities is a priority at Target. From our supply chain and the way we build our stores to the products we put on our shelves, we weave sustainability efforts throughout our business to reduce Target's impact on the environment and help our guests live more sustainable lives."
>
> ~ Scott Lercel - Director of Social Responsibility & Sustainability, Target

Textile Exchange's Fit in the Preferred Textile Market

Founding members of Organic Exchange, now Textile Exchagne, saw the need to create a space to convene and develop the tools to build the organic cotton market. As a result we have a unique position in the world of textile sustainability. Our experience in organic cotton created a foundation we can use to serve a broader market. **TE provides its members and, in effect, the industry with the resources required for building awareness, sharing knowledge and acquiring the sustainability credentials to deliver environmentally preferred fiber products to the market.**

Today, Textile Exchange:

- Convenes, informs and builds capacity in our membership base and across the industry.
- Advocates product and industry integrity.
- Helps bring positive innovations to scale.
- Improves organic farmers' visibility, access to stable markets, and better develops business capabilities.
- Creates partnerships that accelerate sustainability into strategy and action across the global textile industry.

Examples of our work include:

The Farm Hub provides tools such as "Find a Producer" and "Trading Post" to help brands and retailers find the fiber and producer groups they need. We also provide case studies and deeper profiles of organic cotton producer groups. Our most recent campaign "Organic In Action" showcased 18 organic cotton stories from around the world. To glimpse these amazing stories click on the following link: http://farmhub.textileexchange.org/learning-zone/organic-in-action

Chemical Snapshots presents a concise look at health and environmental concerns as well as industry practices and legislation related to the use of 18 chemicals used in materials. We have also included where potential alternatives exist and links to additional resources for further information. http://textileexchange.org/Chemical-Snapshots

Material Snapshots will be released in December 2013. Covering a range of materials from organic cotton to polyurethane they will address the technical and performance aspect of each material, their environmental and social impacts and alternatives.

"Compared to 10 years ago there are more people involved in the sustainable fibers conversation. This can slow things down and increases complexity but in the end it provides for more robust outcomes. Having more than a few brands involved on how change happens is a good thing".

~ Eric Wilmanns, Partner, Brown & Wilmann's Environmental LLC and TE Board Member.

The growth in awareness around preferred textiles, built in part by TE's work, has showcased the **complexity** and requirements for bringing more sustainable products to market. We continue our work through **partnerships** with a broad array of NGOs and organizations with similar values and goals. To see the full list of collaborators please see Appendix B on page 37.

Executive Summary

This year we have **two Top 10 lists*, C&A tops them both**.

Top 10 by Volume – C&A regains the number one spot after two years in second place. We applaud C&A's continued investment not only in the product but also at the farmgate in the support of farmer training and education.

Top 10 by Percent Growth – C&A also tops this list with a 78 percent increase over last year. This list is a first for the Market Report. It was designed to recognize those companies who have made increasing their use of organic cotton a priority.

The amazing thing about these lists is that for the first time **a company had to use over two million pounds (907,184kgs) to gain entry to the Top 10** users by volume. Otto, who has done amazing work with 41 percent growth and the use of well over a million pounds, made the Top 10 by percent growth list. All of the companies making our Top 10 lists deserve praise for improving the lives of farmers, their communities and our environment. As Phil Chamberlain of C&A said, "we welcome competition" in the pursuit of using more organic cotton.

Below are the 2012 Top 10 Lists.

Top Ten Organic Cotton Users by VOLUME

	2008	2009	2010	2011	2012
1	Walmart/Sam's Club	C&A	H&M	H&M	**C&A**
2	C&A	Nike, Inc.	C&A	C&A	**H&M**
3	Nike, Inc.	Walmart/Sam's Club	Nike, Inc.	Nike, Inc.	**Nike, Inc.**
4	H&M	Williams-Sonoma, Inc.	Inditex (Zara)	Inditex (Zara)	**PUMA**
5	Inditex (Zara)	H&M	adidas	Anvil Knitwear	**Coop Switzerland**
6	Anvil Knitwear	Anvil Knitwear	Greensource	prAna	**Anvil Knitwear**
7	Coop Switzerland	Coop Switzerland	Anvil Knitwear	PUMA	**Williams-Sonoma, Inc.**
8	Pottery Barn	Greensource	Target	Williams-Sonoma, Inc.	**Inditex (Zara)**
9	Greensource	Levi Strauss & Co.	Disney Consumer Products	Target	**Carrefour**
10	hessnatur	Target	Otto Group	Otto Group	**Target**

Top Ten Organic Cotton by GROWTH

	2011	2012
1	There was no ranking prior to 2012	**C&A**
2		**Nudie Jeans**
3		**PUMA**
4		**Otto Group**
5		**Continental Clothing**
6		**Anvil Knitwear**
7		**H&M**
8		**Bergman Rivera**
9		**Inditex (Zara)**
10		**Nike, Inc.**

Many of the companies on our top 10 lists have made commitments that 100 percent of their raw materials will come from more sustainable sources by **2020**. It should be a banner year!

So how will we get to the 2020 commitments with organic cotton fiber production close to flat compared to last year? Seventy-one percent of the brands and retailers participating in our survey have told us that their plans include growth for next year. This growth will not come from organic cotton alone; the industry is also committing to preferred fibers of all types. **The most successful companies will have a defined preferred fibers strategy.**

Along with the plans for growth is the **expanding acceptance of standards, certifications and development of indexes** as a means of verifying claims and measuring impacts. This will provide the confidence that growth in more sustainable fibers truly has a positive payoff. We've seen this type of proof in the positive results of studies and rankings on organic cotton.

Chart highlighting new and updated standards.

New Standards

Name	Authors	Date Released	Input Material	Chain of Custody	Processing Requirements	Product Labeling
Content Claim Standard (CCS)	TE Integrity Team, OIA MTWG	Sep-12	any raw material	yes	no	no
Organic Cotton Standard (OCS)	TE Integrity Team, OIA MTWG	Mar-13	organic materials	yes	no	yes
Recycled Content Standard (RCS)	TE Integrity Team, OIA MTWG	Sep-13	recycled materials	yes	no	yes

Existing Standards / Updates

Name	Authors	Date Released	Input Material	Chain of Custody	Processing Requirements	Product Labeling
OE 100	TE Integrity Team, stakeholders	Mar-13 (OCS)	Replaced by OCS			
OE Blended			Replaced by OCS			
Global Organic Textile Standard (GOTS)	GOTS IWG	Oct-06	organic material	yes	social, environmental, and chemical	yes
			This standard is not owned by Textile Exchange			
Global Recycle Standard (GRS) v2.1	TE Integrity Team	Jun-12	recycled material	yes	social, environmental	yes
Global Recycled Standard (GRS) v3	GRS IWG	2014 est.	recycled material	yes	social, environmental, chemical	yes

The report also contains this year's **top organic cotton producing countries**. The list shows Turkey reclaiming second position in the ranks, due to the temporary loss of Syria from the market as a result of civil conflict. Favorable weather conditions have resulted in considerable growth in Tanzania, however, drought affected Texas and Brazil. India has remained dominate in the top spot for the last 5 years. Our **list of certifying countries** still reflect traditional production places like India, China and Bangladesh. We believe we could start seeing changes in 2014 on this list due to near shoring initiatives.

As the market embraces new indexes, emerging organizations, and other more sustainable fiber options, our world becomes more **complex**. Definitions, standards, certifications and supply chains all need to be established for some of the newer entrants in the preferred fiber world. The work done on organic cotton should be used as a roadmap for integrating other preferred fibers.

We encourage this growth while acknowledging that the industry is facing many challenges. **Catastrophes, both man-made and natural,** have affected the textile market this year. While not all disasters can be avoided we can do something about:

"The next decade will be driven by powerful forces on both the supply and demand side, as well as evolving dynamics within the industry itself. The business model of the past which relied on abundant resources in a stable and predictable market has to be transformed. Textile Exchange serves a central role for the community to clarify and offer sound alternatives to enact change which supports our end consumers growing consciousness of environmental footprints."

~ Elayne Masterson, Director Merchandising, Esquel Apparel and Board Chair Textile Exchange

- the shortage of GMO free seeds for organic and other farmers engaged in more sustainable production.
- encouraging socially compliant factories.
- the need for greater transparency and clear communication along the supply chain.

Engagement throughout the supply chain is essential. Suppliers need to know their customers' needs and requirements. Consumers have to understand that their purchases have far reaching effects. Modes and access to communication have changed making what happens along the supply chain visible.

Patagonia, Tchibo, prAna and other companies are now directly addressing consumers with videos showcasing their preferred products. To do this a brand must have confidence that preferred fibers such as organic cotton can make valid environmental claims and a guarantee that reliably certified products will be on the shelf when the consumer goes looking for them.

Below are some examples of these efforts to reach consumers:

Patagonia - http://www.patagonia.com/us/patagonia.go?assetid=84716

Tchibo - http://www.youtube.com/watch?v=DSRsZZLGngQ#t=15

This past year, in an initiative lead by prAna, Textile Exchange produced* a consumer video "I Choose Organic" - http://player.vimeo.com/video/61125702

*Sponsored by: C&A, Breganwood Organics, Eileen Fisher, Patagonia, Portico Home / Under the Canopy; prAna, Indigenous Designs, Nordstrom, and Quiksilver.

To help us on the path to a more sustainable fiber market we have outlined this year's **Call to Action.**

- **Invest in a Preferred (more sustainable) fiber strategy** that sets a date to achieve 100 percent preferred fibers.
- **Expand your direct contact with the supply chain** to fiber producer or yarn suppliers and forward to consumers to increase transparency and the preferred fiber market size.
- **Preserve farmers' choice to have Non-GMO seed by protecting seed sources.** Participate in the work to invest in the development and farmer access to GMO free cotton seed.

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