The Global Context of Organic Cotton Production

The changing face of organic cotton production and trade and emerging lessons for the governance of the sector

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Prabha Nagaragan
Regional Director, India
Farm Development Program
Organic Exchange
www.organicexchange.org

The Farm Development Program

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The changing face of organic cotton

1) Changes and growth in production
2) Production figures and trends 2008/9
3) Farming profiles and regions
4) The changing profile of demand and markets
5) Emerging challenges
6) The Way ahead

Growth in Production 2001-2009

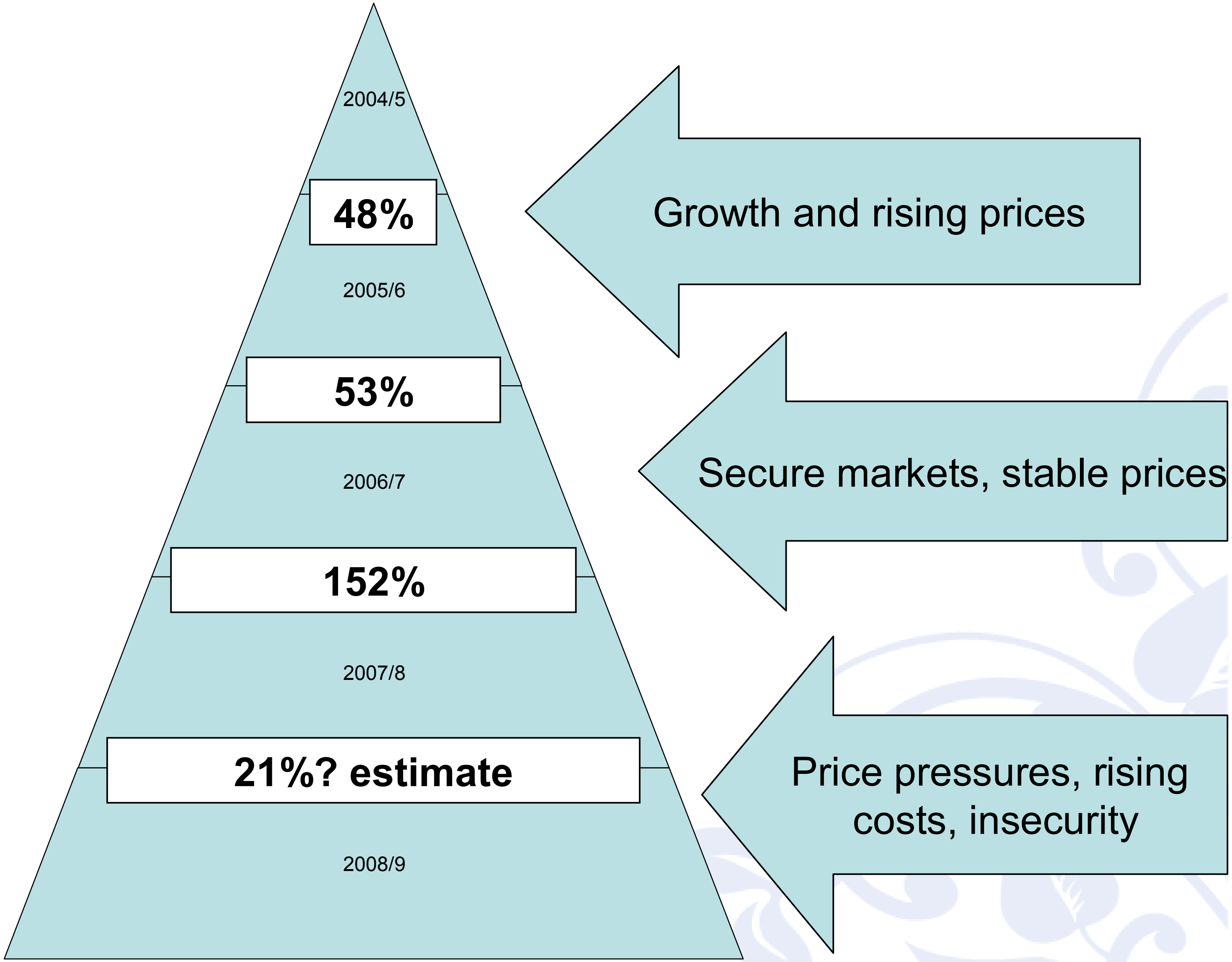
2001	2005	2009
6,400	25,000	120,000

Changes in market/buyer profiles

2001	2005	2009
Committed SME's and some big brands	Mixture with larger, strategic brands and SME's	Growth of large brands and SME's remains strong

Value driven prices → Buyer driven and price pressures.

Good supply demand balance → Imbalance between supply and demand


2004/5
48%
2005/6
53%
2006/7
152%
2007/8
21%? estimate
2008/9
Growth and rising prices
Secure markets, stable prices
Price pressures, rising costs, insecurity

	Fibre production 2008-9 (ESTIMATE)	Fibre production 2007-8	Change (%)
SE Asia	107,456	73,908	45.39%
Middle East	49,450	52,753	-6.26%
Africa non-CFA	6,610	5,455	21.17%
China	3,849	7,354	-47.66%
USA	2,729	2,716	0.48%
West Africa	1,945	1,069	81.99%
Latin America	2,839	1,590	78.55%
North Africa	936	761	23.00%
Central Asia	428	194	120.62%
EU	85	72	18.06%
Total	176,327	145,872	20.88%

Production figures and trends

- Increasing dominance of India (Vertical integration and low priced fibre)
- Growth in Africa and Latin America
- High stocks in some regions (Africa: high cost and donor sponsored growth)
- Middle East (Climate) and USA stagnation
- Adjustment for over-reporting: China

Changing markets and demand

Organic cotton continues to grow - HOWEVER

Slower than recent years and much growth residual from previous high demand

Impacts of price pressures and global economic slowdown: mature and farmer invested programmes losing ground

Situation = oversupply and buyer driven market

Drive to cut prices and costs ALTHOUGH

Brand interest increasing again after slowdown

Challenges ahead

- Stagnation for mature regions and projects due to cost and standard pressures
- Defining minimum and best practices to allow common understandings and approaches
- To improve education of buyers and consumers and clarify benefits/branding of organic cotton
- To understand and communicate costs of organic fibre production

Internal Challenges

Governance

Best Practices (business models, contracts, pricing, productivity, integrity)

Integrity

Transparency

Educate: brands, buyers, producers on above and real costs of an ethical trading system

External Challenges

Soil, Water, Climate

Food security and food production

Land use, land ownership, land competition

Non-natural fibre competition

Relationships with other sustainable cottons and Biotech cotton

Comparative performance in delivering social, economic and environmental benefits

A framework for progress

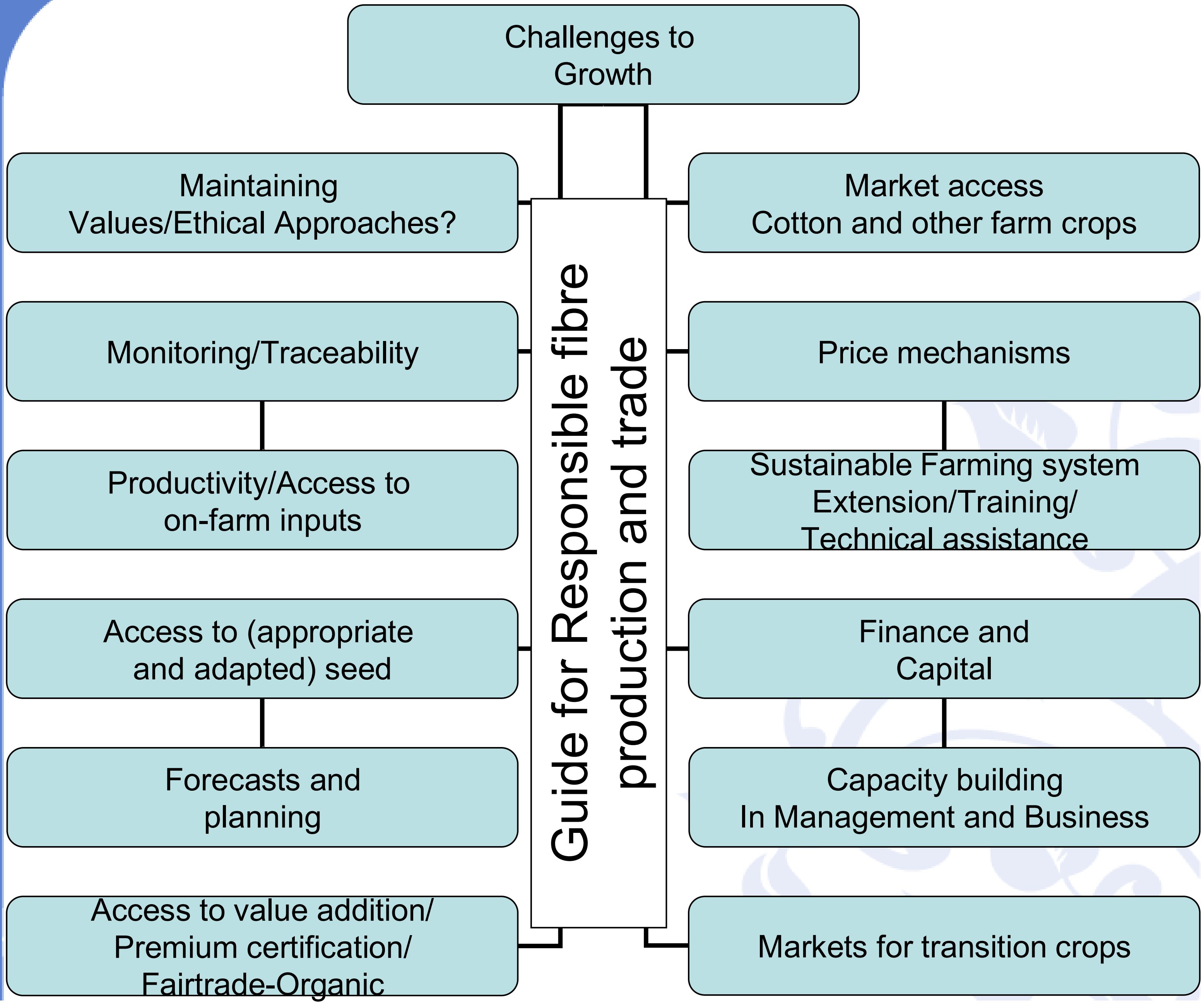
Common Guidance for Responsible Fibre Production and Trade

Policy, Advocacy and Research networks for farmers

Transparency and impact monitoring and better branding of 'good' organic cotton

Better education of buyers and consumers on organic cotton

Build cotton alliances, e.g., with other sustainable initiatives


Challenges to Growth
Guide for Responsible fibre production and trade
Maintaining Values/Ethical Approaches?
Monitoring/Traceability
Productivity/Access to on-farm inputs
Access to (appropriate and adapted) seed
Forecasts and planning
Access to value addition/ Premium certification/ Fairtrade-Organic
Market access Cotton and other farm crops
Price mechanisms
Sustainable Farming system Extension/Training/ Technical assistance
Finance and Capital
Capacity building In Management and Business
Markets for transition crops

Responsible Fibre Production and Trade

1. Provide Guidance to Producers, Traders and Service Providers involved in organic cotton fibre production on the different available **best practice options**

2. Help Producers, Traders and Service Providers to produce organic cotton in a fully **verifiable and transparent** manner

3. Guide Producers, Traders and Service Providers in **measuring the additional impacts** from responsible organic cotton production

4. Be a simple education tool to help fibre buyers and users **understand the benefits and costs** for them to help consumers understand these

5. Help Producers, Traders and Service Providers understand their roles and responsibilities for ensuring **organic integrity**.

6. Provide a summary of **Rights, Responsibilities and Obligations** (legal and moral) for all parties engaged in Fibre Production and those involved in purchasing organic fibre.

7. Provide a **verifiable, sustainable and if necessary enforceable baseline for Responsible Fibre Production and Trade.**

Goals of Responsible Fibre Production and Trade

Secure, sustainable and growing markets

Growing incomes and returns

Productive and diverse organic farms

= **Sustainable Development**