

MARKET OVERVIEW OF ORGANICALLY GROWN COTTON

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Introduction

In the early 90s, an emerging eco-fashion trend fueled the demand for environmentally-improved textile and apparel products and exposed many companies and consumers to the environmental attributes of organically grown cotton. Between 1993-94, the eco-fashion trend that dramatically increased organic cotton acreage in the U.S. reached its peak. By 1995, nearly 25,000 acres of organic cotton were planted—largely on speculation—compared to less than 1,000 acres planted in 1990.

However, inherent supply problems, higher production costs, consumer price resistance and marketing barriers in the textile and apparel industry posed considerable challenges for continued growth. Thus, at the same time that organic cotton acreage was at an all-time high, many large apparel companies driving the demand and experimenting with organic cotton programs withdrew from the market.

In 1996, organic cotton acreage dropped to around 10,000 acres as organic cotton growers switched to crops with more stable markets. The lack of a secure market or a specific buyer was identified as the main reason that growers decreased organic cotton production in 1996. In 1997, U.S. organic cotton acreage is estimated to be less than 10,000 acres.

While the boom-bust cycle in the organic cotton industry has challenged pioneering organic cotton farmers and apparel companies alike, it must be seen as an inevitable transition and learning experience in a new and emerging industry. New developments and strategies adopted by the apparel industry are stimulating a renewed demand for organic cotton, which is currently at an all-time high.

New Developments for Organic Cotton Use

The positive environmental attributes of organic cotton that originally inspired the eco-fashion trend are again at the core of a renewed demand for organic cotton. In 1997, large apparel companies such as Nike, Gap and Levi-Strauss have purchased organic cotton and are developing innovative programs that will blend small percentages of

organic cotton into conventional cotton products (See Table 1).

Blending small percentages (1-5%) of organic cotton into conventional fabric production offers a cost-effective strategy for using organic cotton while reducing higher production costs. Nike, for example, is currently using a 3% organic cotton blend in 13 million garments. In 1997, Levi-Strauss purchased more than 1 million pounds of organic cotton from California growers and Gap has purchased 500,000 pounds.

Blending avoids supply problems and additional organic processing costs. The increased cost per garment is minimal, in many cases a few cents more per garment. Special labeling or marketing is not required. Ultimately, organic cotton blending offers more flexibility and cost savings throughout the cotton production chain while supporting organic cotton farmers and increasing organic cotton acreage. As demand for organic cotton increases from both 100% organic cotton companies and large blenders, forward contracts are rapidly becoming standard industry practice which will help stabilize the market and lead to a more rationale expansion of organic cotton acreage.

Benefits of Blending (From a Large Apparel Company Perspective)

The benefits of blending organic cotton are numerous and address all segments of the cotton production chain:

- Apparel companies can significantly reduce synthetic pesticide and fertilizer use without developing a 100% organic cotton program;
- Higher fiber costs of organic cotton are reduced by spreading the cost over all garments;
- Small inefficient runs based on low-volume 100% organic cotton lots are eliminated;
- Extra clean-out costs are avoided since blends are processed along with conventional cotton;
- Limited organic fiber selection and grade availability are not a problem;
- Separate handling for organic cotton is no longer necessary;
- Companies can continue to use the same mills and manufacturers;
- Specialty marketing and labeling are not required;

- Blending increases demand for organic cotton and leads to contracts with farmers.

Potential Problems with Blending

- Blending small percentages of organic cotton does not reduce pesticide use as rapidly as a 100% organic approach;
- Without a labeling system, it is not possible to identify and differentiate organic blended products in the marketplace;
- Incrementally higher fiber costs of organic cotton would be incurred as a result of blending;
- Blended products are not a viable alternative for the chemically-sensitive consumer that needs chemical and pesticide-free products.

Summary

These developments are a hopeful sign for a renewed interest in organic cotton on behalf of the conventional textile and apparel industry. As a second attempt to make organic cotton feasible within the larger industry, we have the opportunity to learn from the past and chart a new direction for sustained growth for the organic cotton industry. Long-term growth will not be guaranteed simply by supply and demand forces, but by the efforts of the organic cotton industry to develop long-term organic cotton programs and collectively address industry-wide issues of supply, mill performance, cost, consumer education and investments in research.

References

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Table 1. Organic Cotton Purchased for Blending Programs

1997	Pounds
Levi-Strauss	1,150,000
Nike	500,000
Gap	500,000
TOTAL	2,150,000

Source: Organic Fiber Council